

CANADA MORTGAGE AND HOUSING CORPORATION
HOUSING OUTLOOK CONFERENCE HAMILTON

Economic & Housing Outlook

Why the Big Picture Matters

Ted Tsiakopoulos,
Regional Economist – CMHC
ttsiakop@cmhc.ca



Housing market intelligence you can count on

Economic Shocks & Financial Market Impacts

- IT Stock Market Crash
- September 11, 2001
- US Sub Prime Crisis
- European Debt Crisis

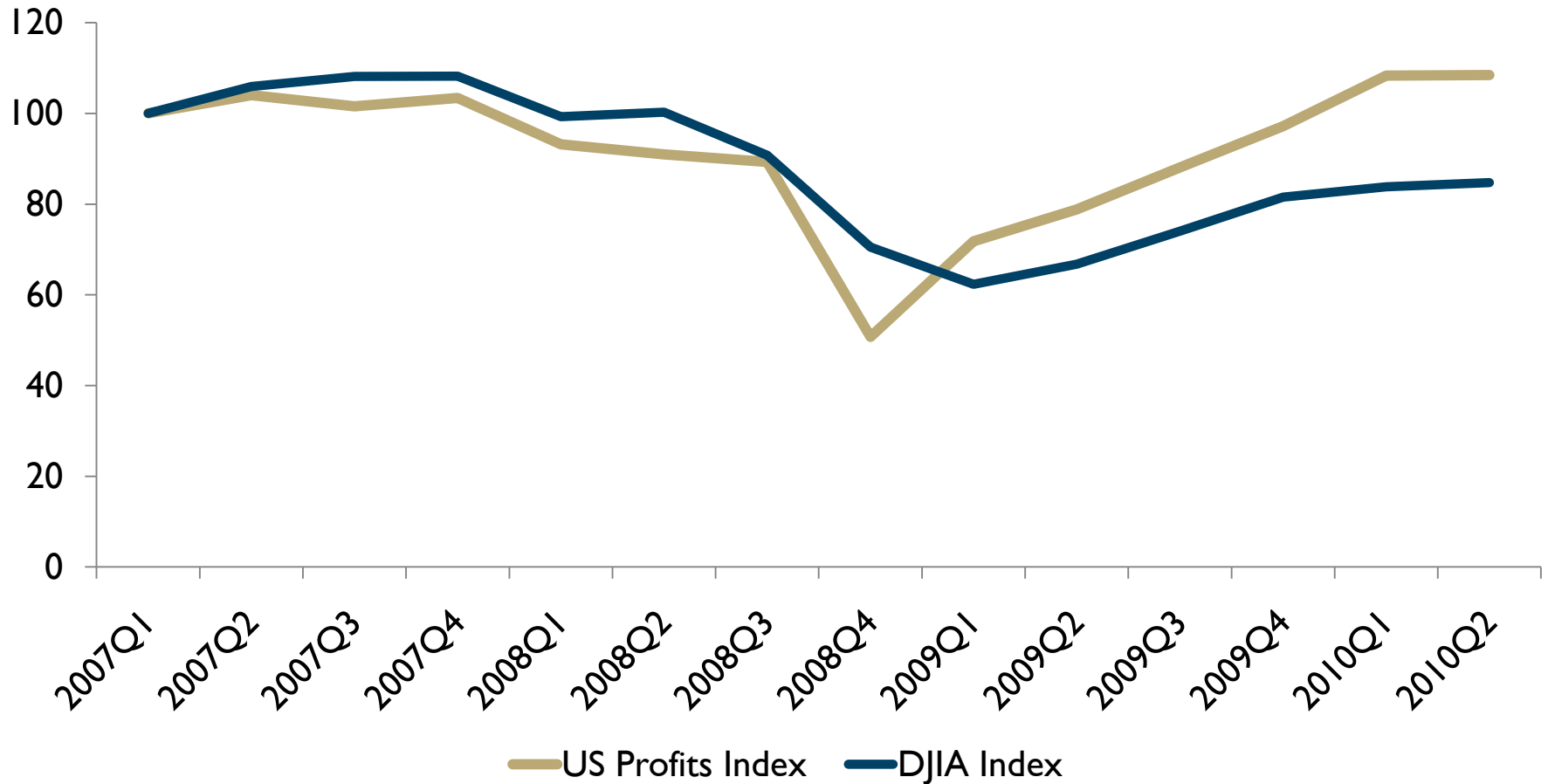


Financial Shocks & Real Consumer



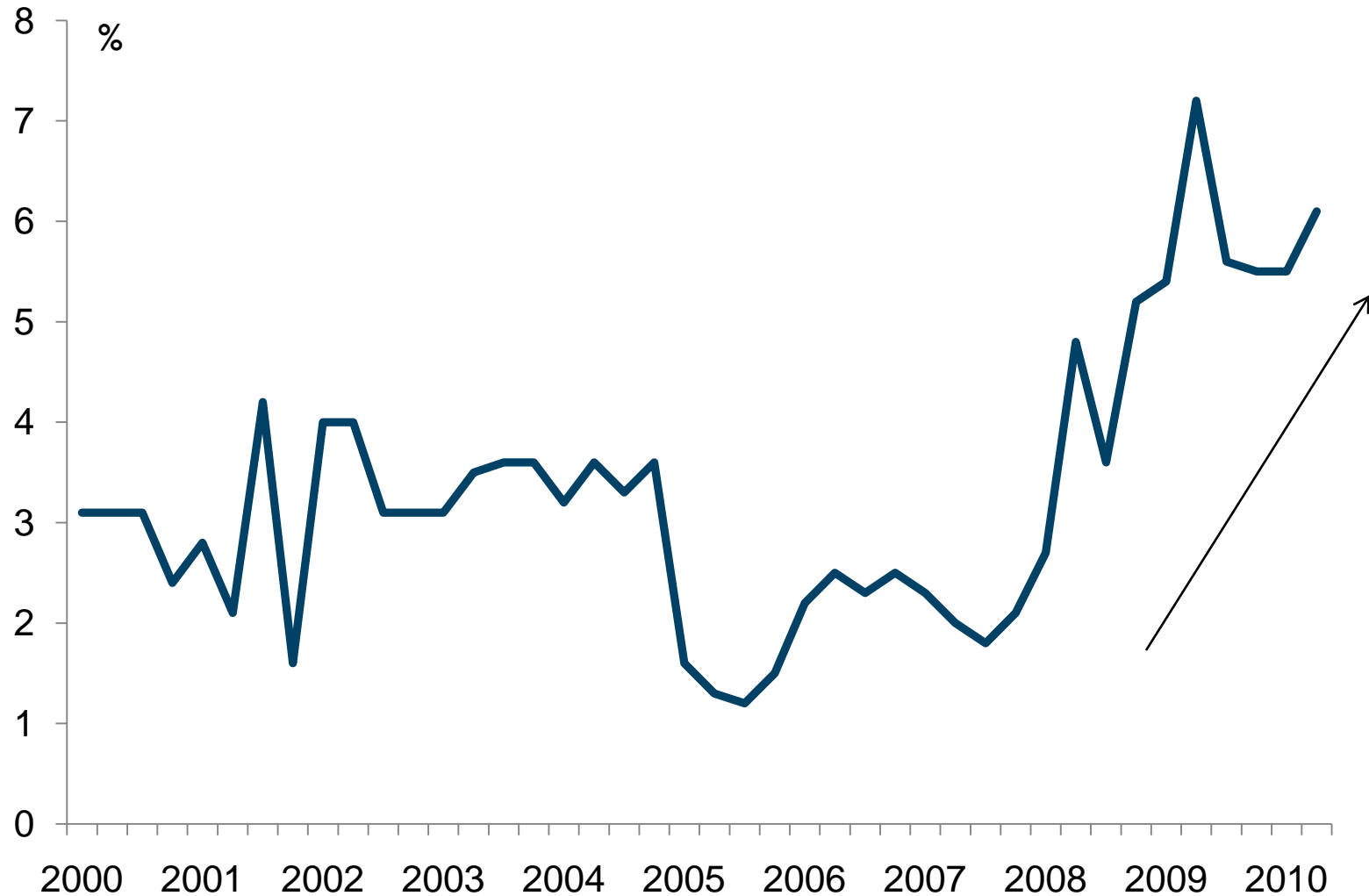
US Stock Market Index vs. US Corporate Profits

Index (2007=100)



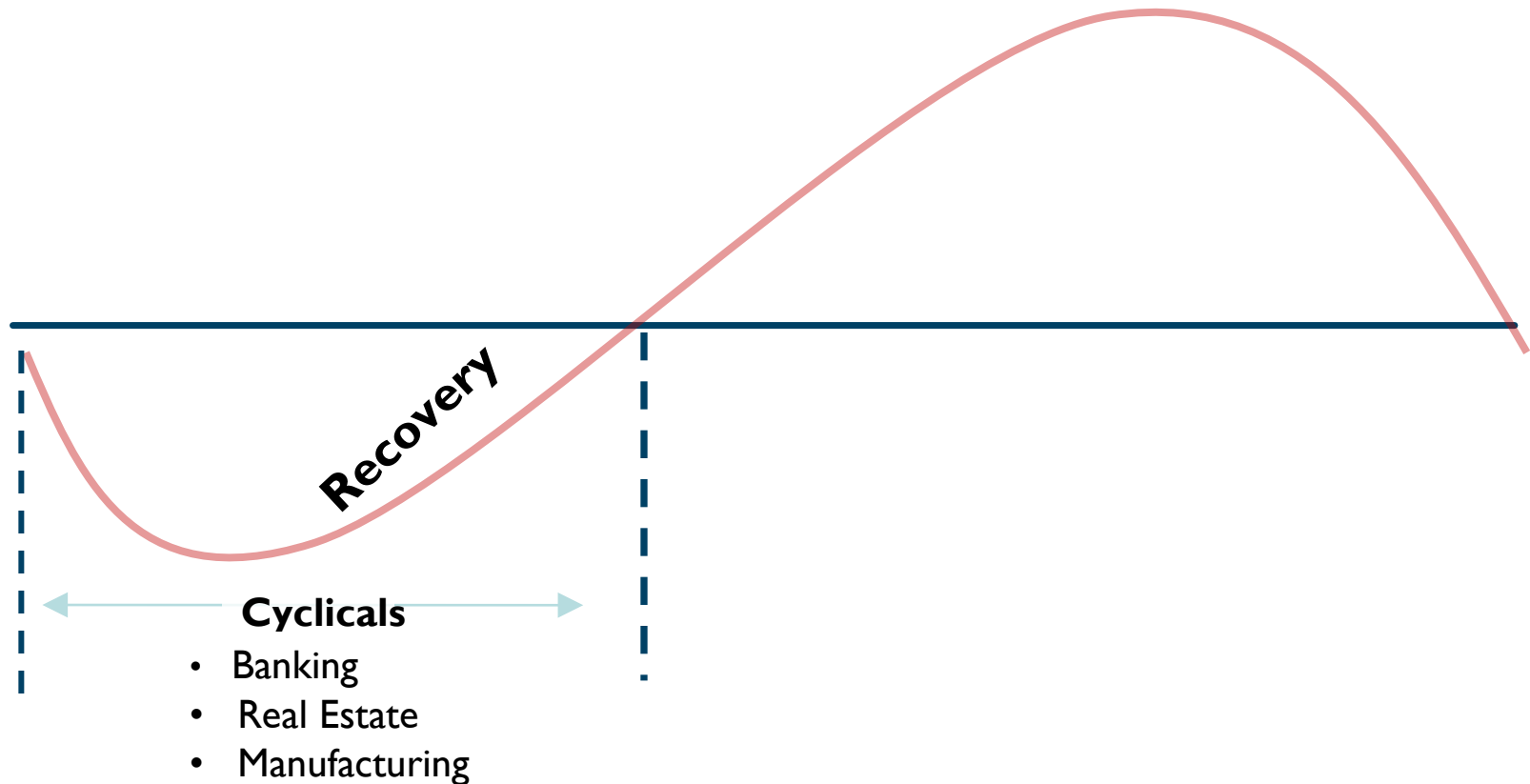
Source: Moody's /Economy. Com, BEA

US Savings Rates



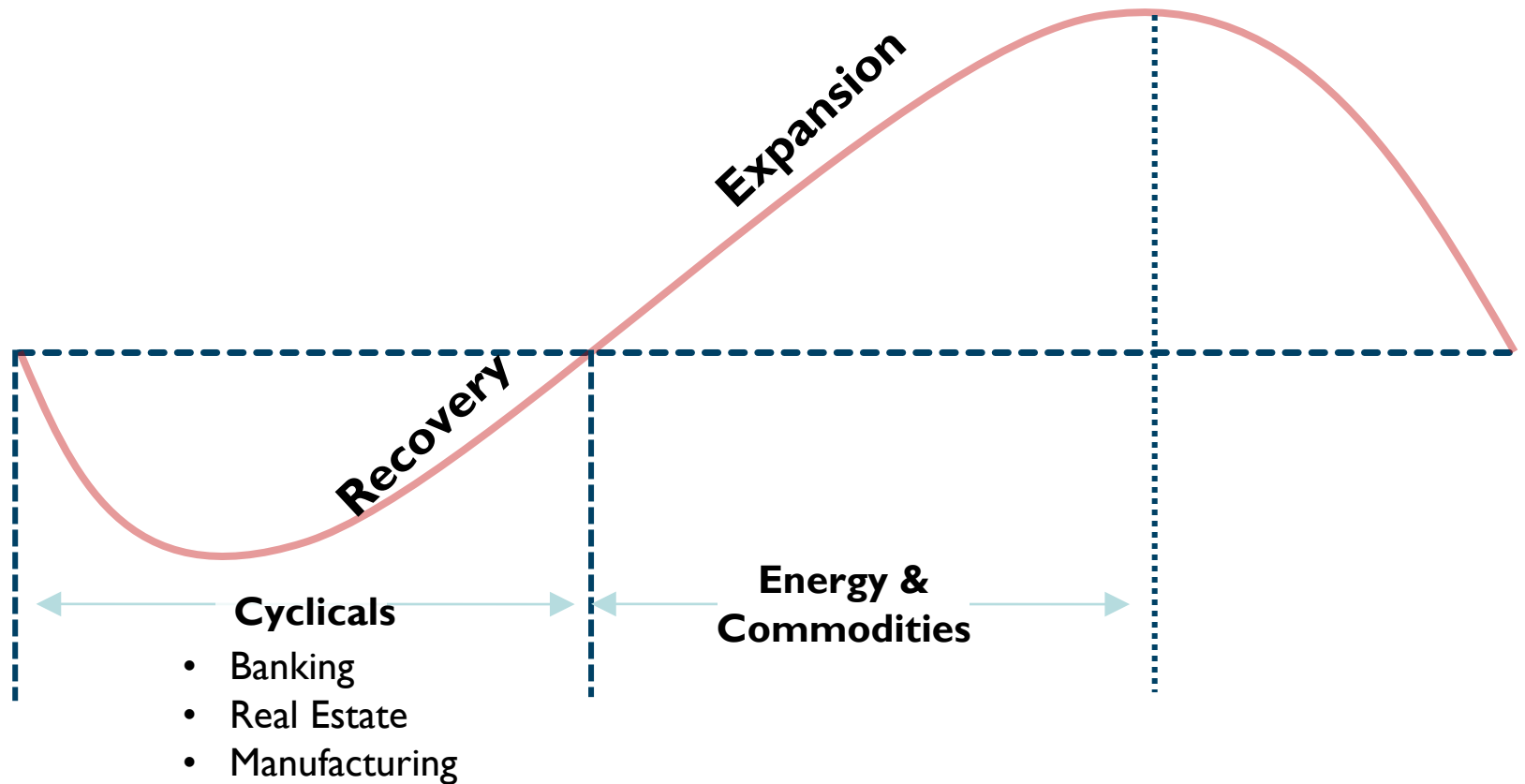
Source: BEA

Business Cycle & Economic Sectors



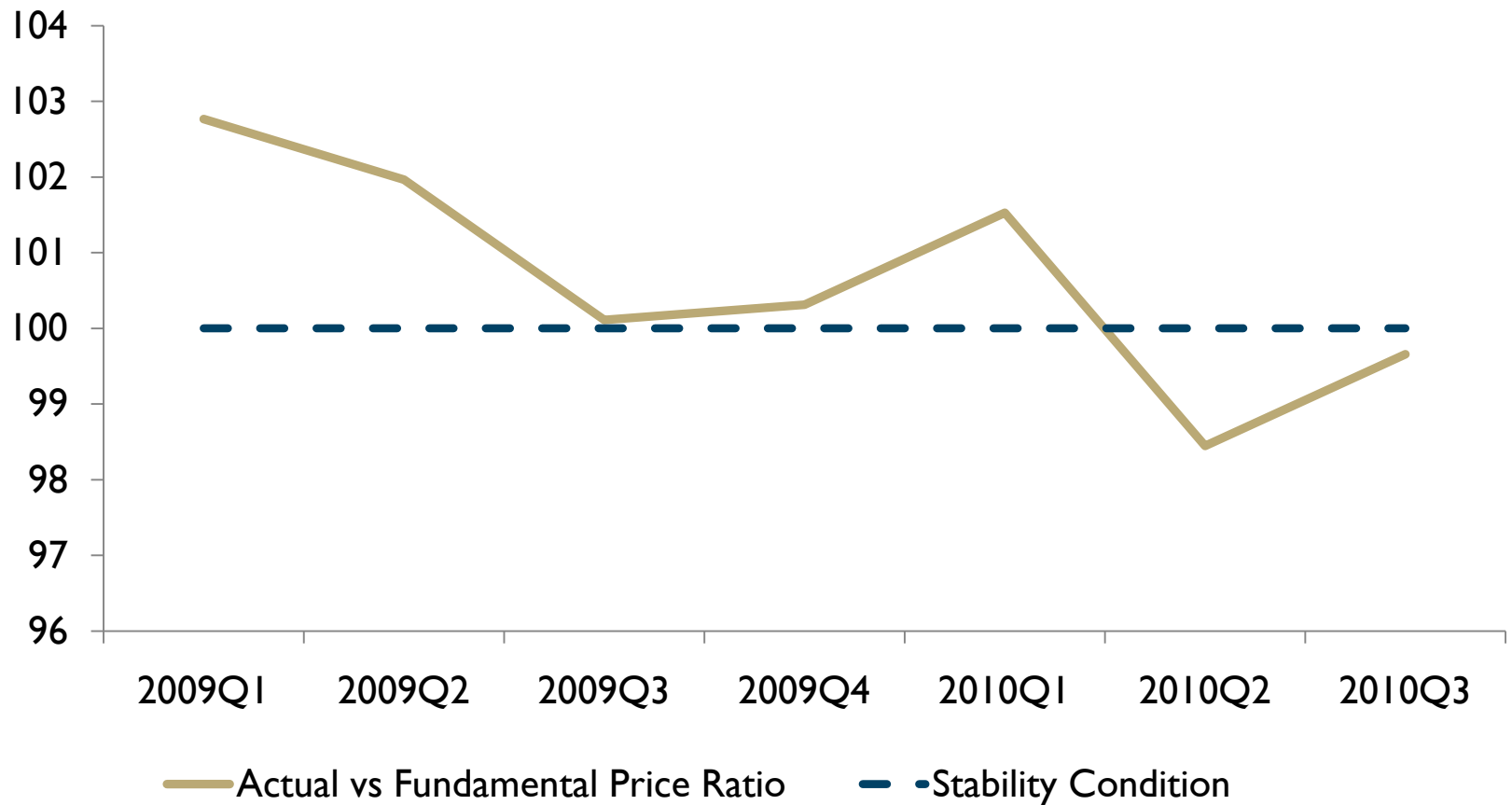
Source: CMHC

Business Cycle & Economic Sectors



Source: CMHC

Actual vs. Fundamental Real Price Ratio -

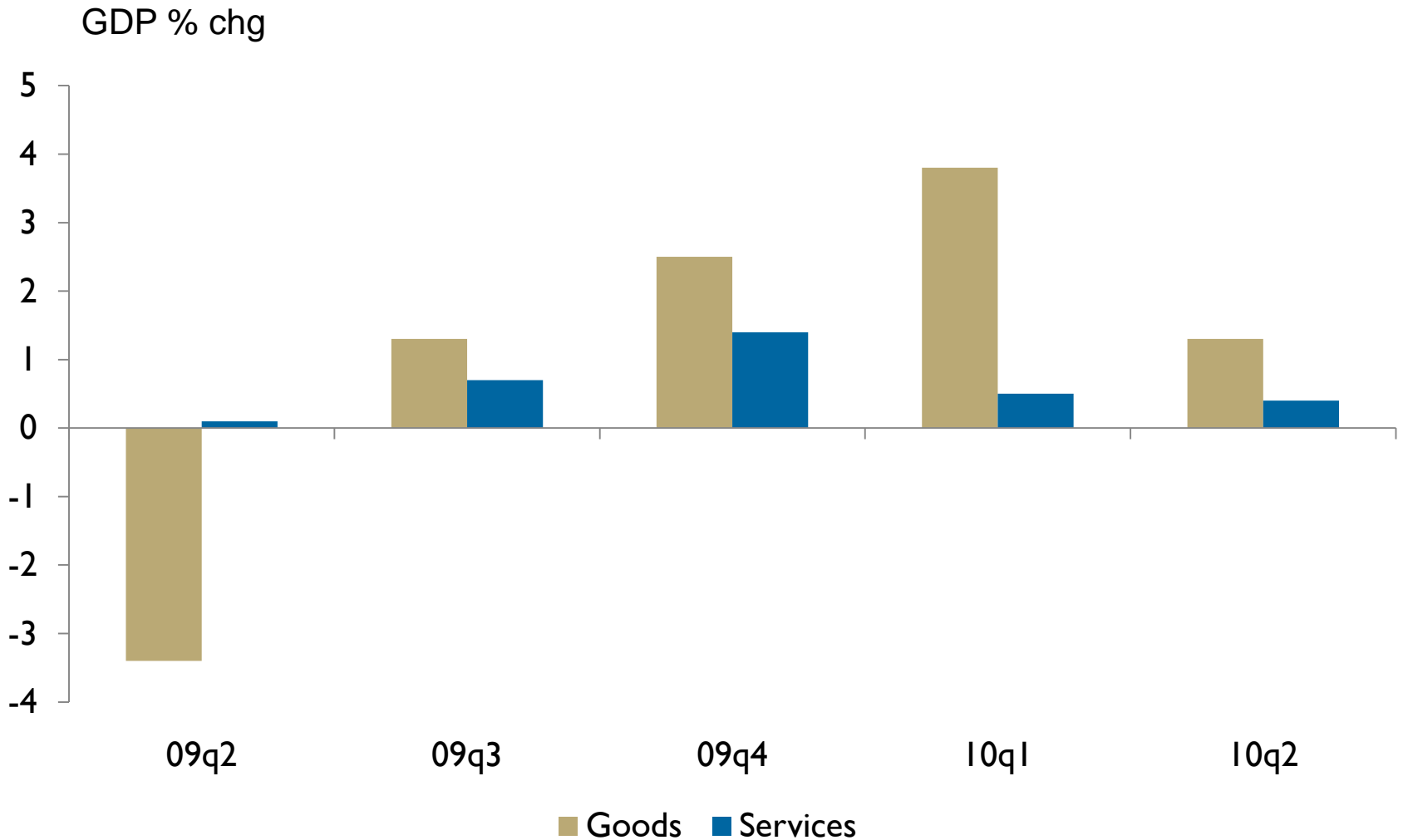


Source: CREA, CMHC estimates

Factors Contributing to Orderly Adjustment in

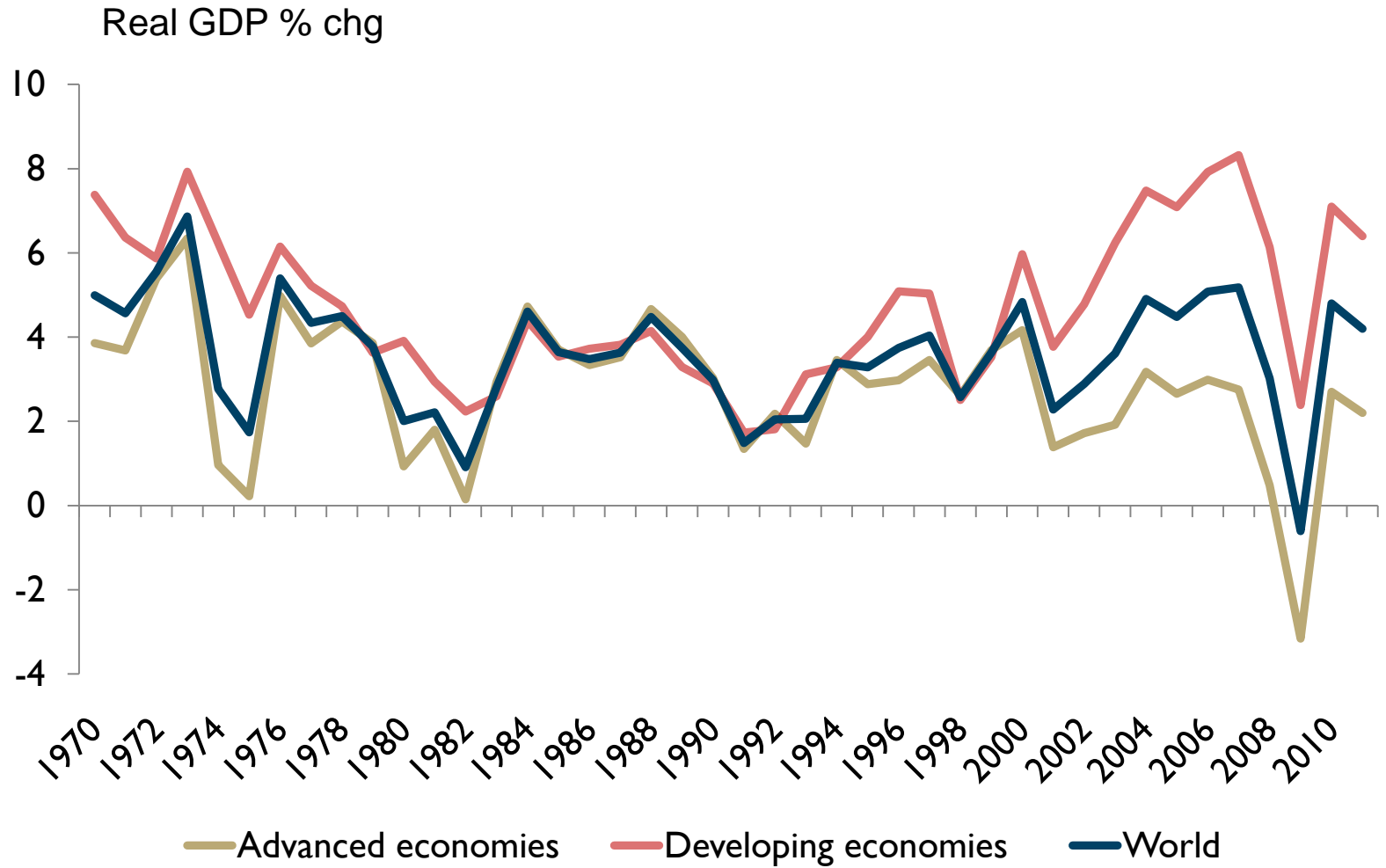
- Gap between actual vs. fundamental price small
- Less speculative buying
- Improving job markets support prices

Ontario Goods vs. Services Sector



Source: Provincial Economic Accounts

GDP Growth Projections



Source: Consensus Forecasts

Canada's Economic Story

MANUFACTURING INVESTMENTS



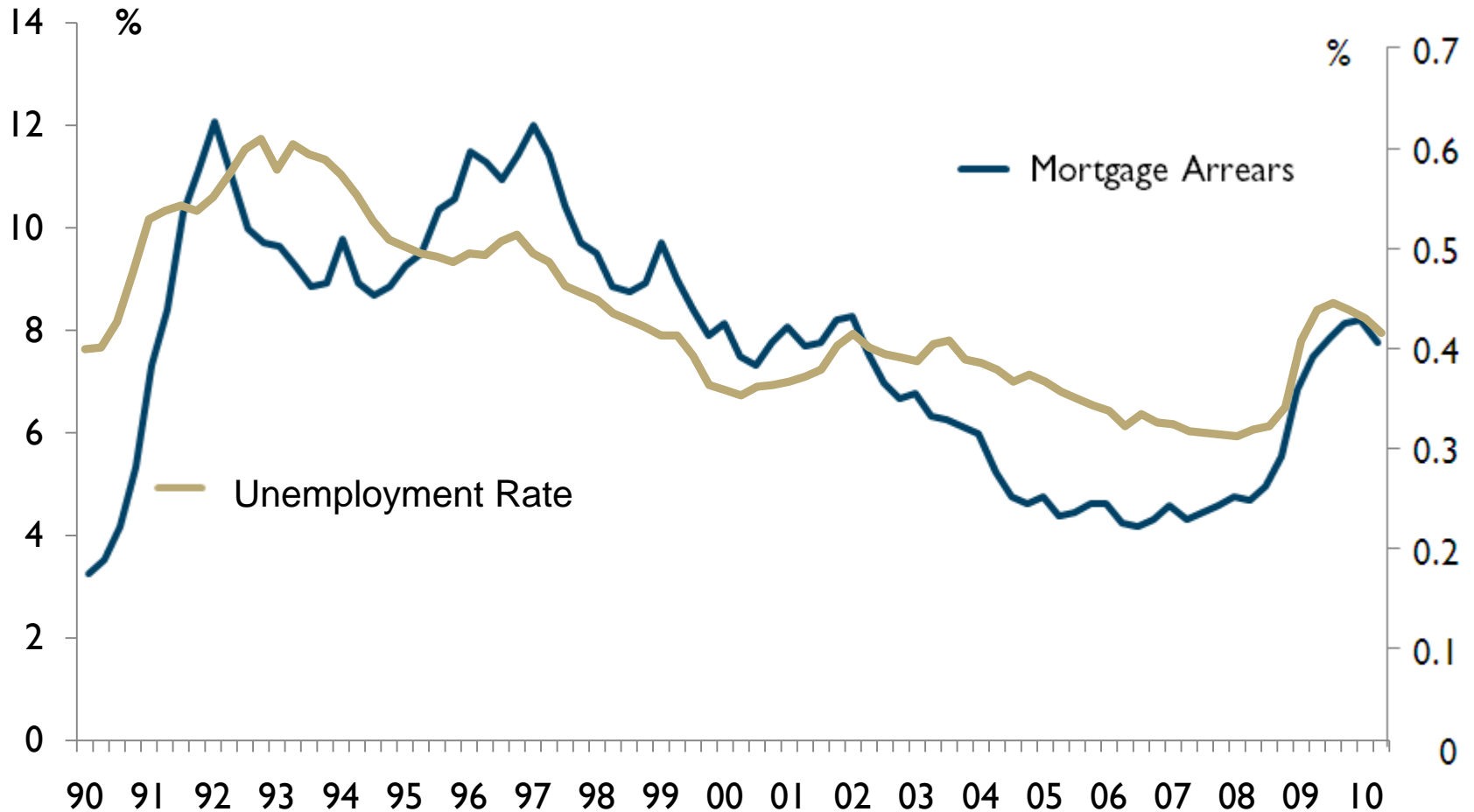
2010 story

ENERGY/NON ENERGY INVESTMENTS



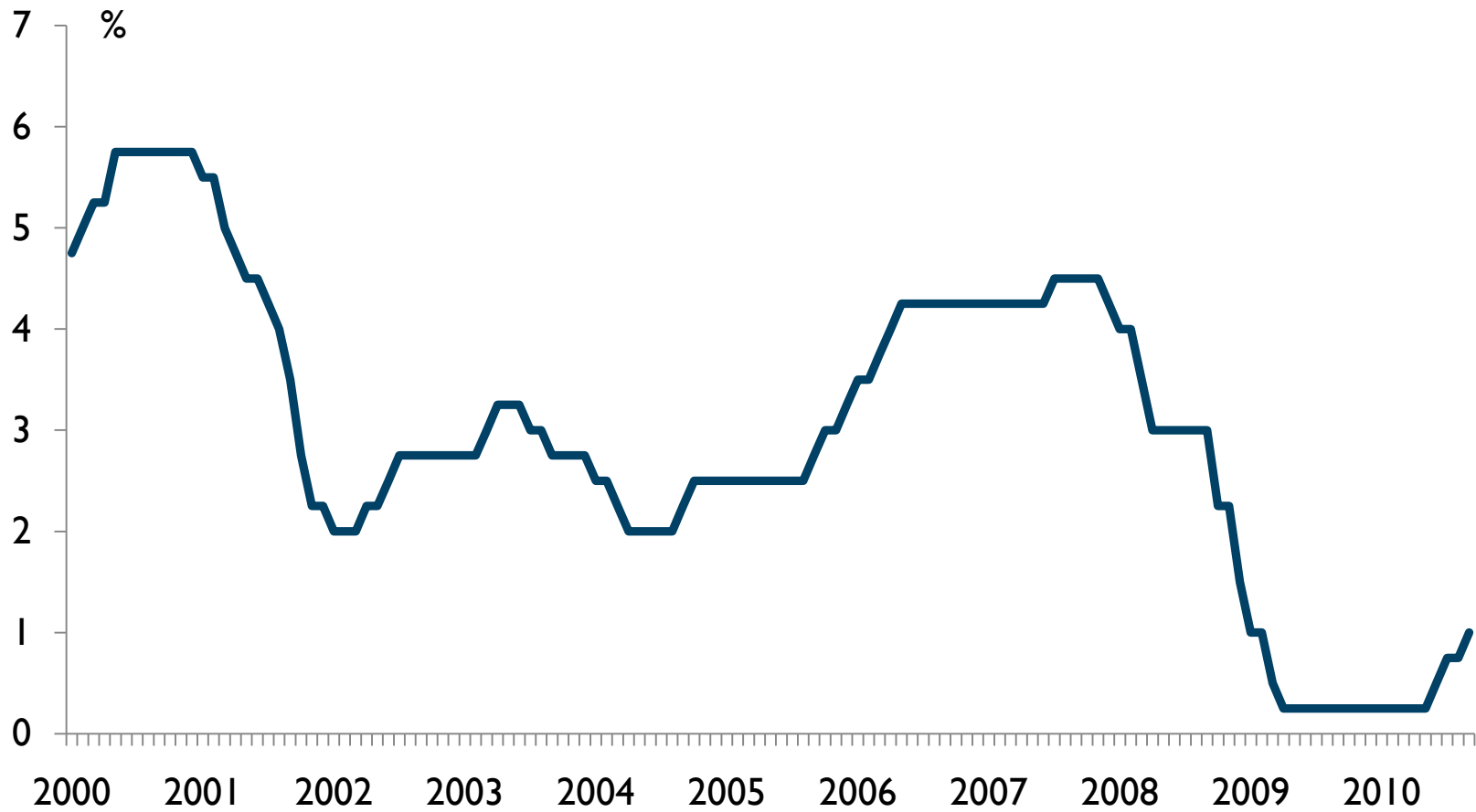
2011 story

Unemployment Rate (L scale) vs Mortgage Arrears (R scale)



Source: CBA, Statistics Canada

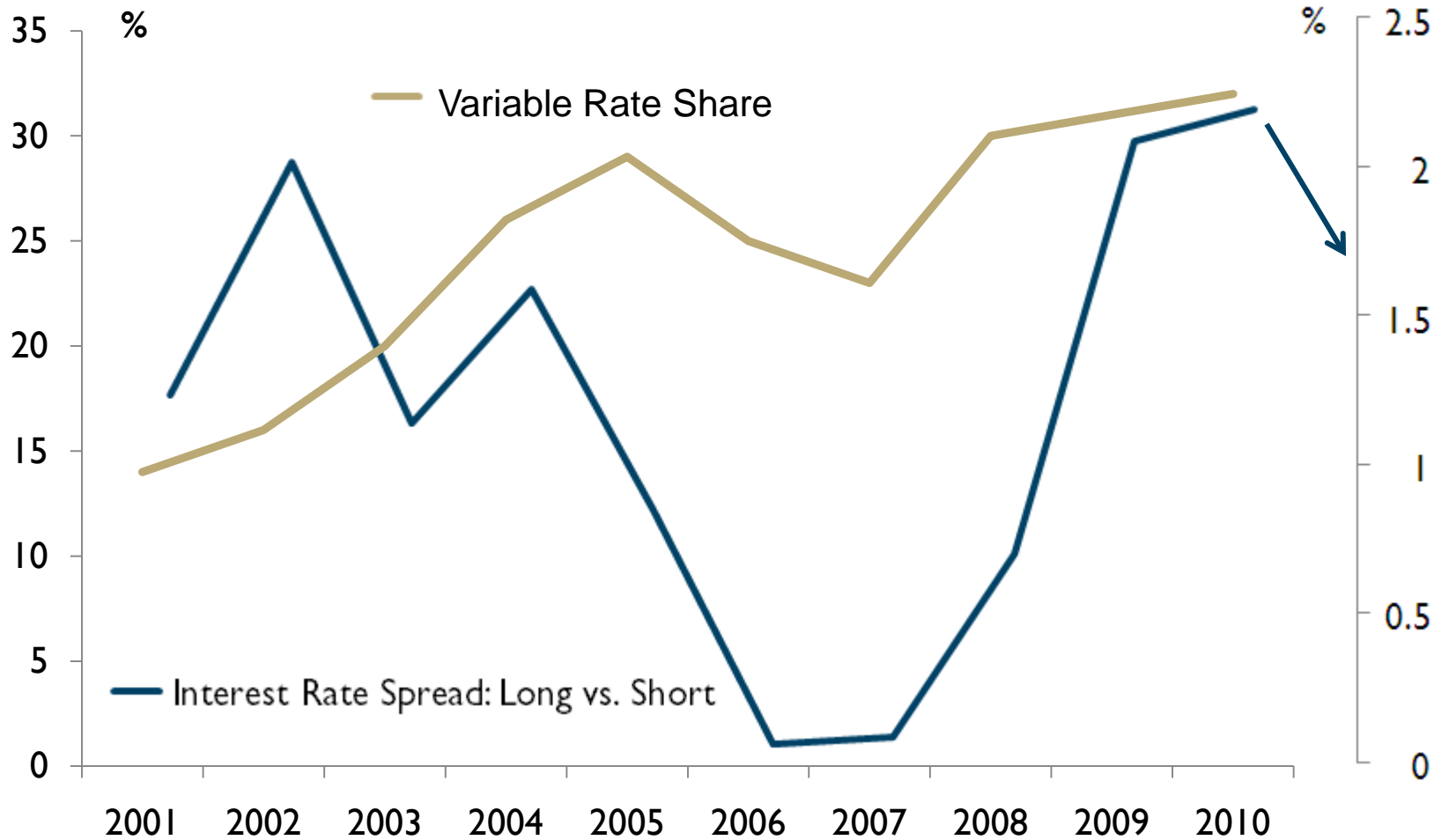
Bank of Canada Overnight Rates



Source: Bank of Canada

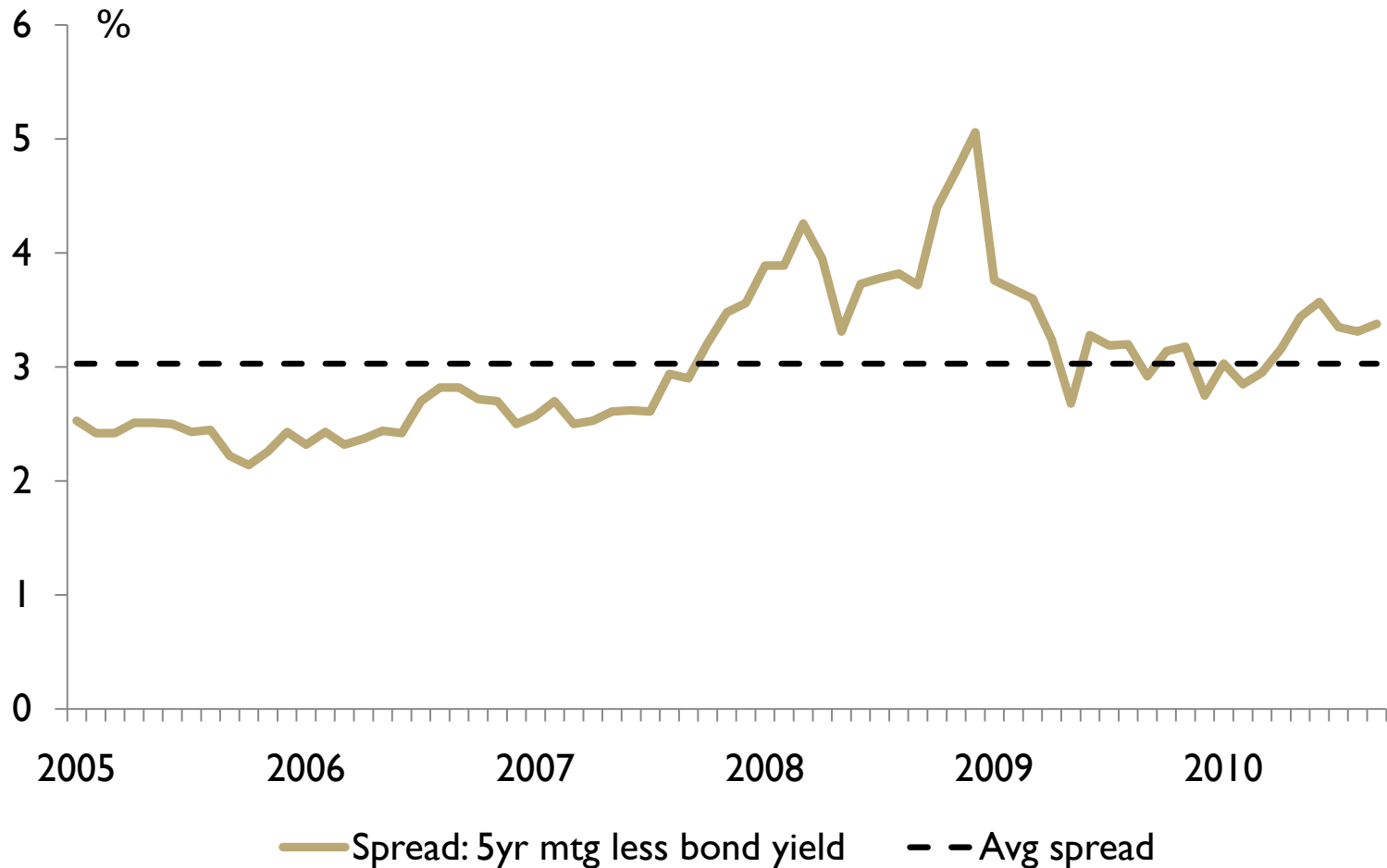
CANADA MORTGAGE AND HOUSING CORPORATION

Variable Rate Propensity (L scale) and Interest Rate Spread (R scale)



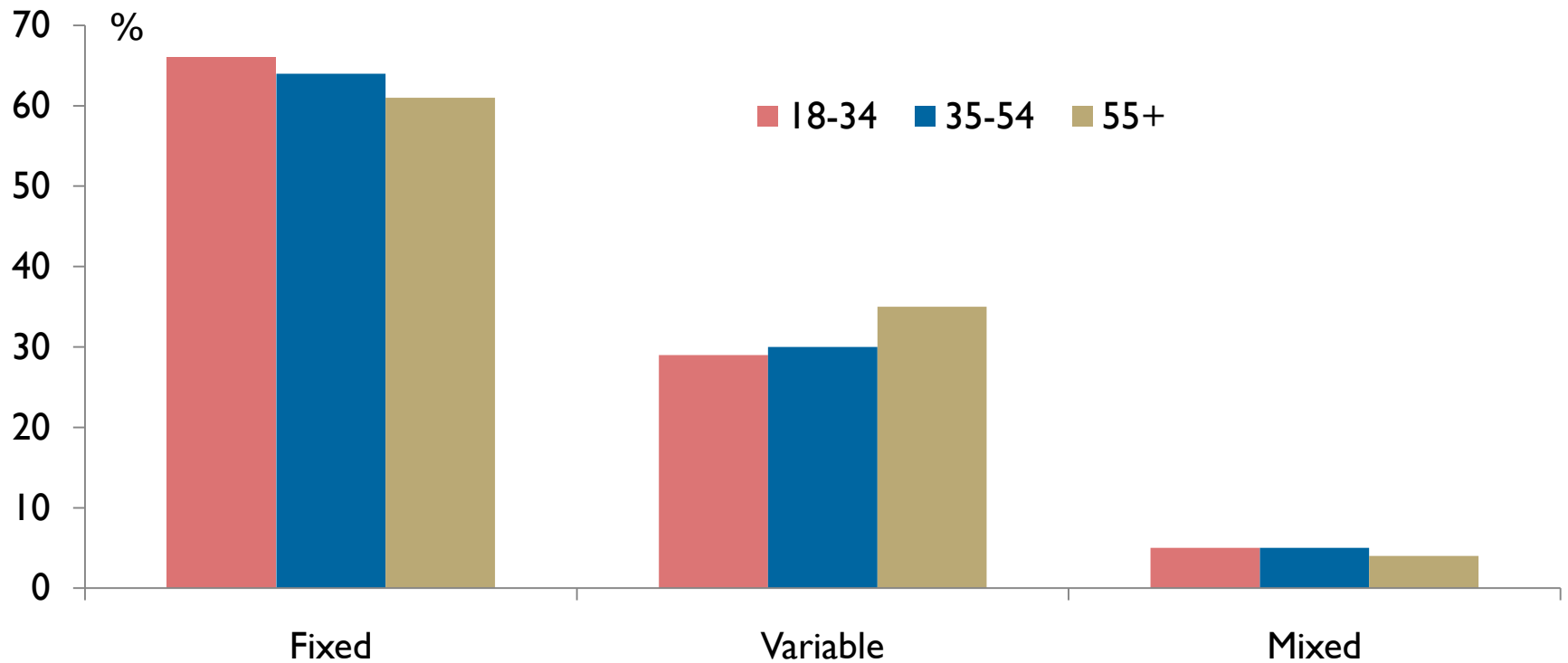
Source: FIRM, CMHC, Bank of Canada

Posted 5-Yr Mtg Less Bond Yield Spread -



Source: Bank of Canada

Age Structure vs. Variable Rate Propensity



Source: Maritz Survey

Economic & Housing Summary



- Double dip not the likely scenario
- Housing markets have stabilized
- Credit quality should improve
- Opportunities and challenges in housing environment



Ted Tsiakopoulos

Regional Economist

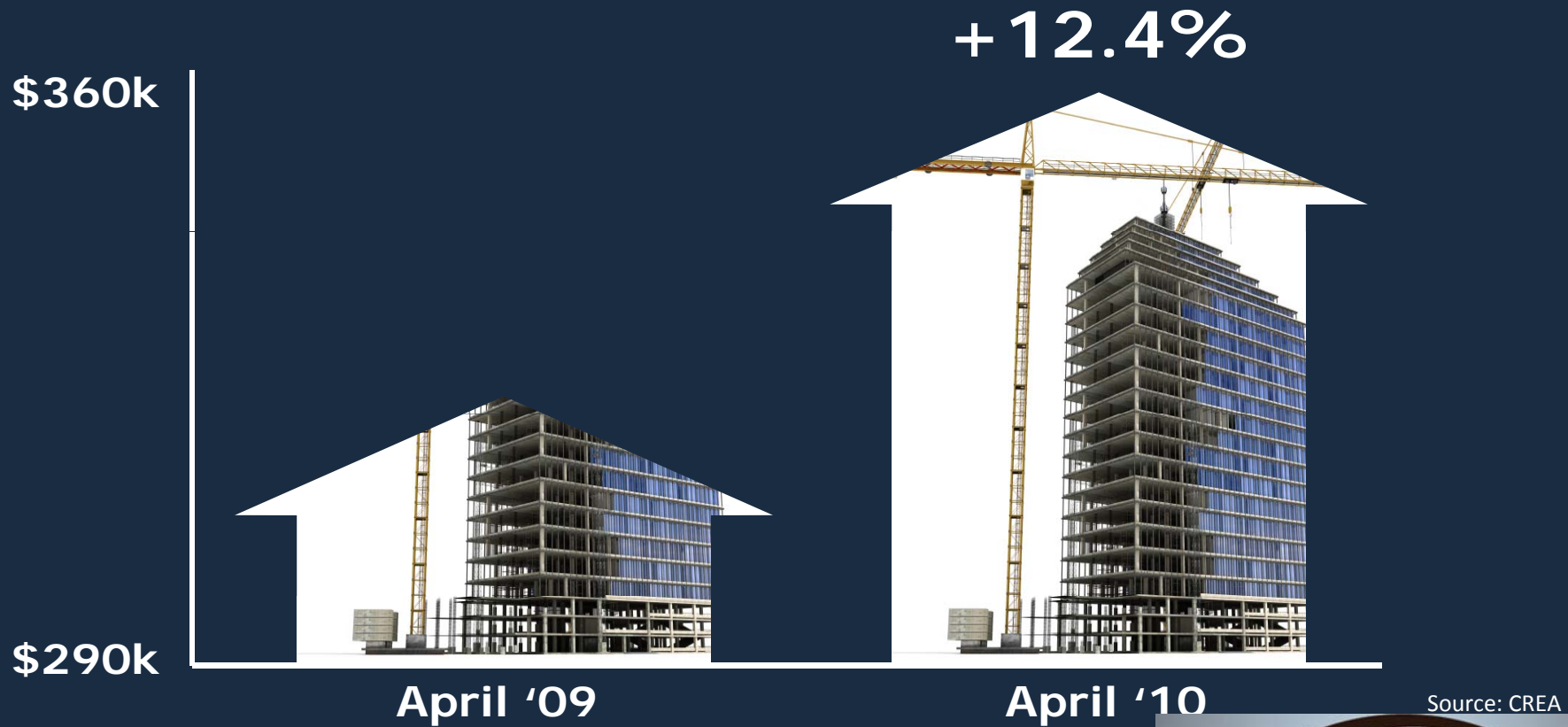


Housing Market Forecasting: Inside the Crystal Ball

A crystal ball with a silver base, containing a silhouette of a city skyline. The text "Ten Tips For Forecasting" is overlaid in white.

Ten Tips For Forecasting

Tip 1. Beware of Year Over Year Comparisons

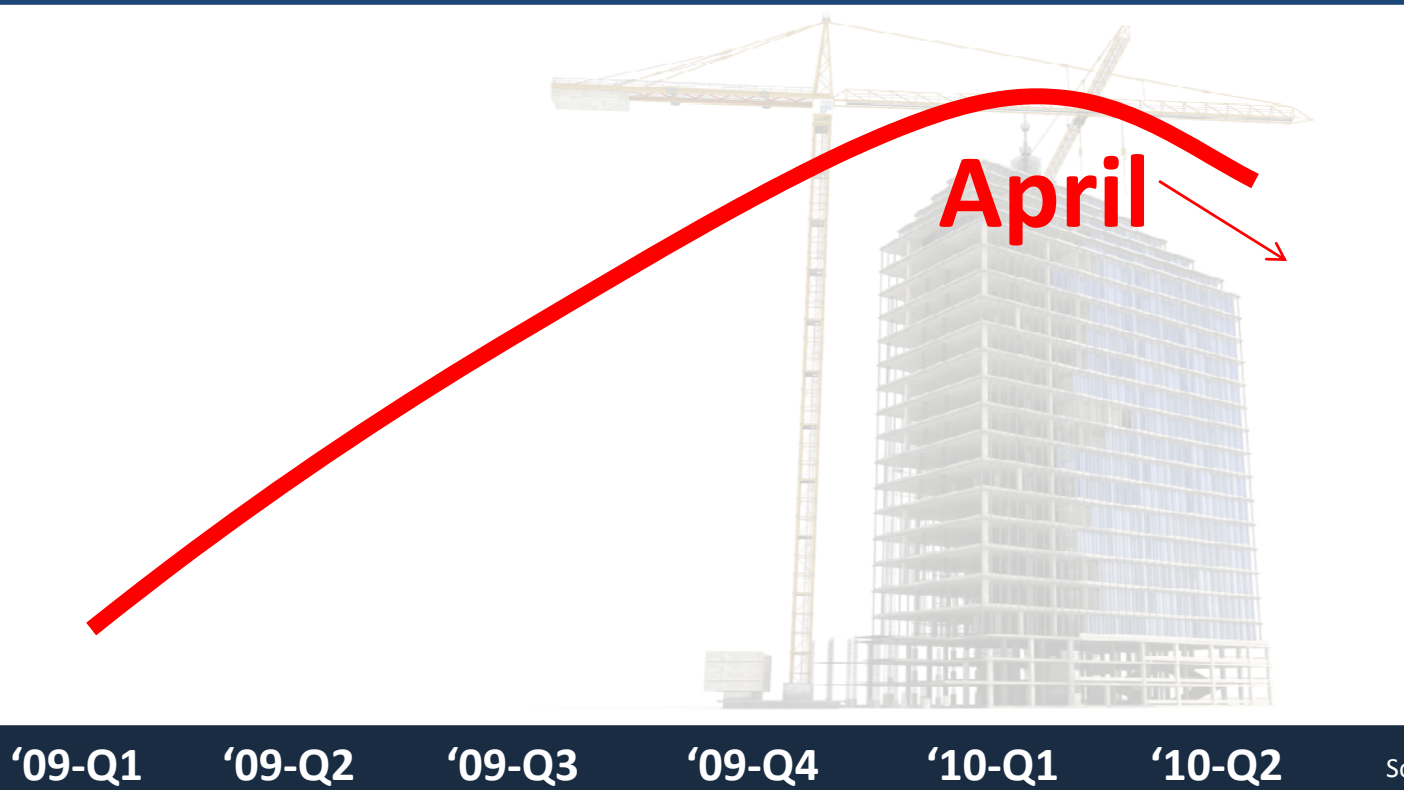


Tip 2.

Track the Trend (by Months or Quarters)

\$360k

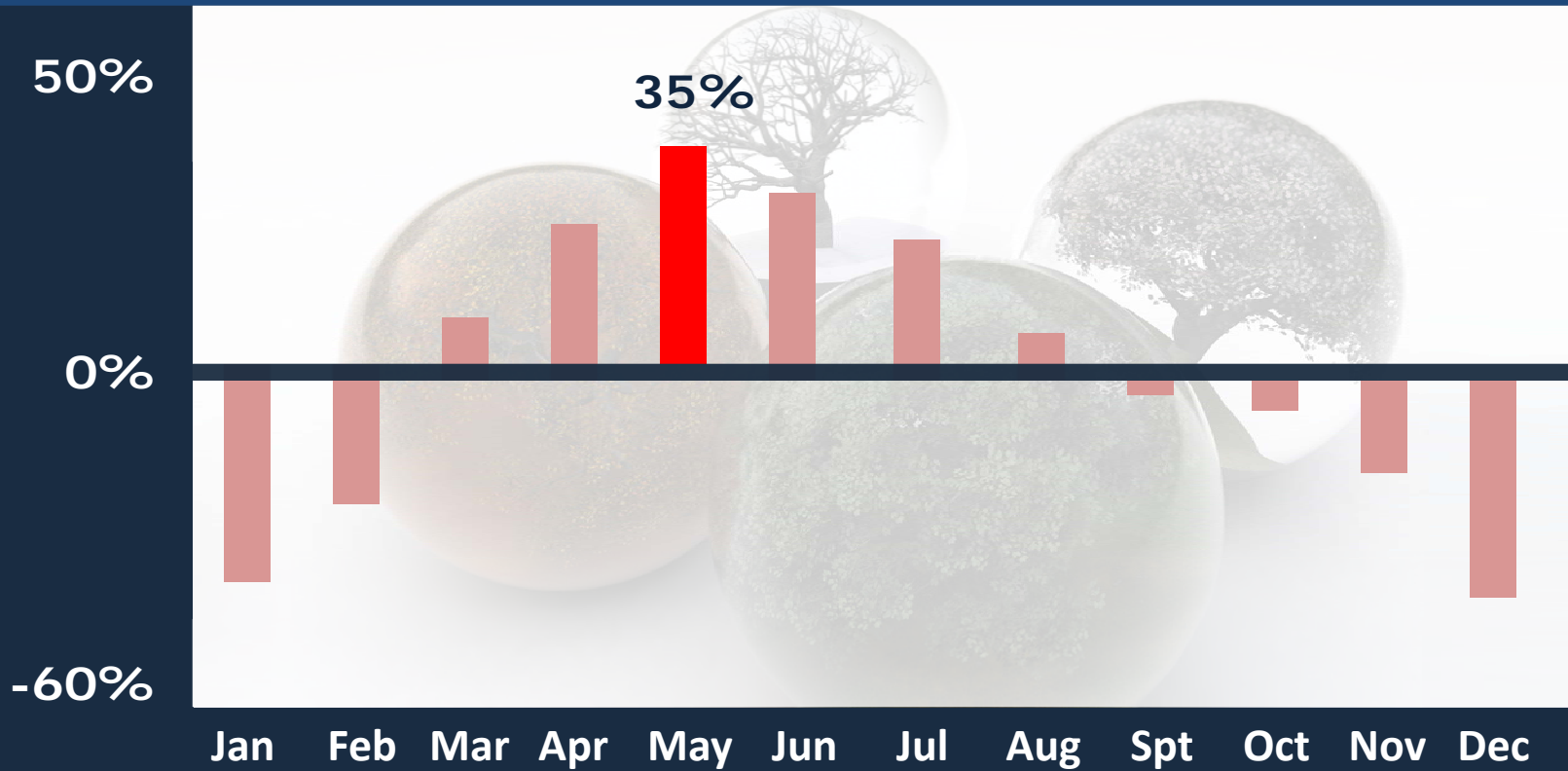
\$290k



Source: CREA



Tip 3. Discount Seasonal Activity



Source: CREA



Tip 4. Remember the Hand-off Effect



Year 1

Year 2

Source: CMHC



Tip 5. Consider a Range of Scenarios



Source: CMHC



House Starts Forecast Error -Ontario

30%

15%

0%



Source: CMHC



Tip 6.

Units Under Construction May not be a True Measure of Supply



Tip 7.
An Aging Population Doesn't Mean
Supply Glut & Price Collapse



Tip 8.

Mortgages up 1%; Sales Down 5-7%



Tip 9.

Housing Sales Rise 6-9 Months After Jobs



Tip 10.

Immigrants buy 3-4 Years After Arrival



Ten Tips for Forecasting

1. Beware of Year Over Year Comparisons
2. Track the Trend (by Months or Quarters)
3. Discount Seasonal Activity
4. Remember the Hand-off Effect
5. Consider a Range of Scenarios
6. Units Under Construction May not be a True Measure of Supply
7. An Aging Population doesn't Mean Supply Glut & Price Collapse of Market
8. Mortgages up 1%; Sales Down 5-7%
9. Housing Sales Rise 6-9 Months After Jobs
10. Immigrants buy 3-4 Years After Arrival



Thank You!



Ted Tsiakopoulos

Regional Economist



Housing Market Forecasting:
Inside the Crystal Ball

CANADA MORTGAGE AND HOUSING CORPORATION HOUSING OUTLOOK SEMINAR HAMILTON

Sarah Fong
Senior Market Analyst
sfong@cmhc.ca



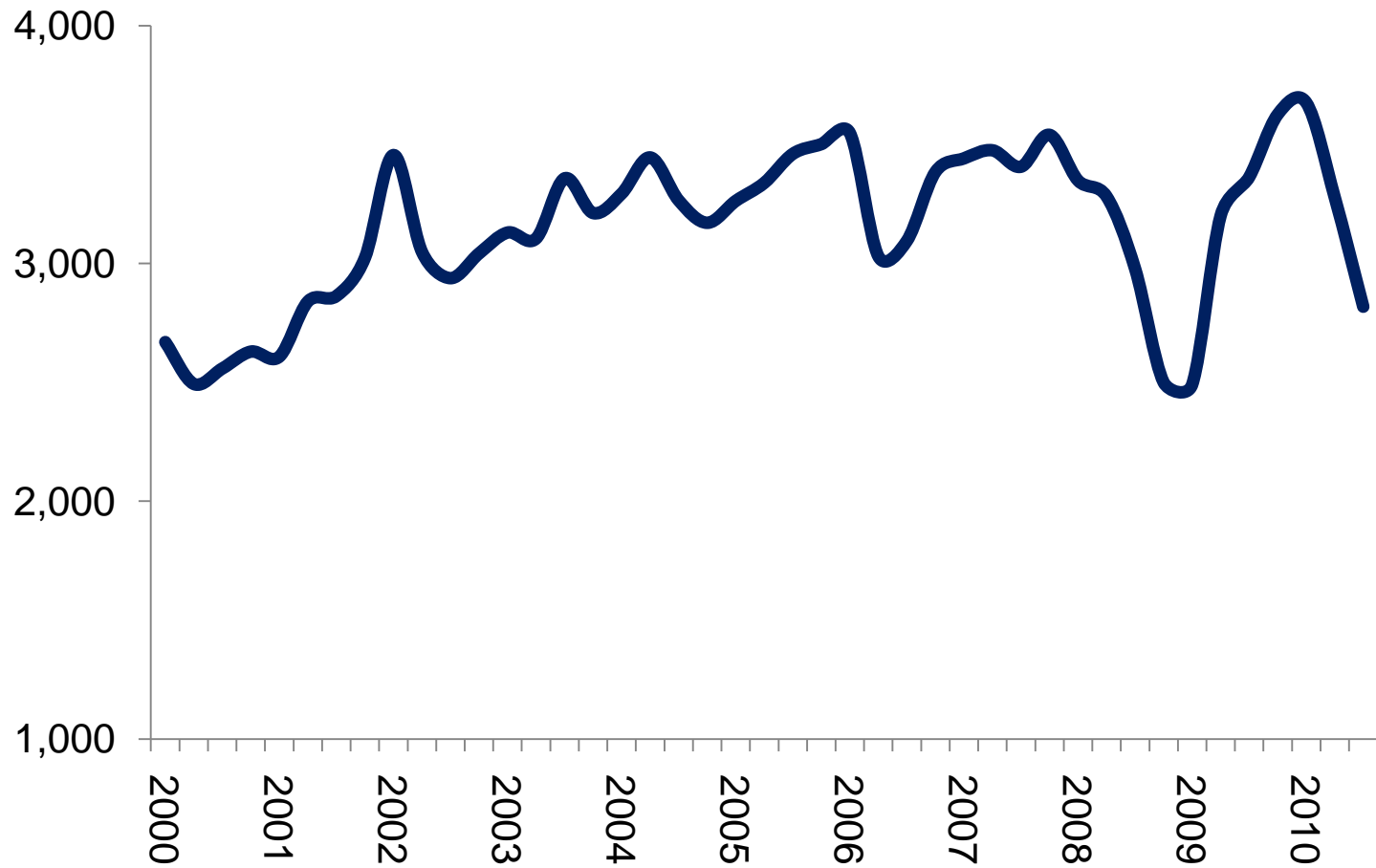
Housing market intelligence you can count on

What's in store for next year?

1. Resale market moving towards more balance for 2011
2. Modest changes in mortgage rates and housing prices
3. Housing starts will trend upwards in 2011



MLS® Sales (Quarterly)



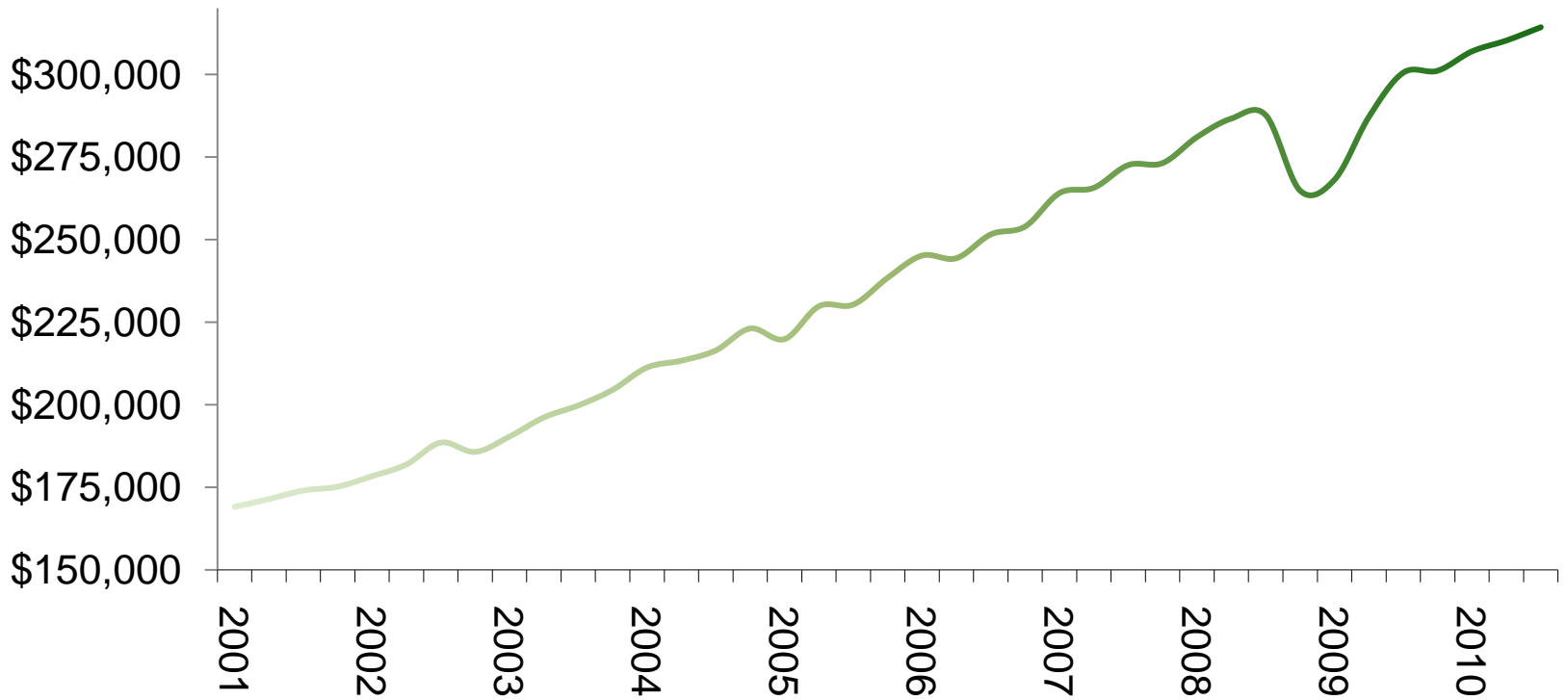
Source: CREA

What Happened in the Third Quarter of 2010?

1. Rising mortgage rates
2. New mortgage qualifying rules
3. Introduction of the HST
4. Increased borrowing costs

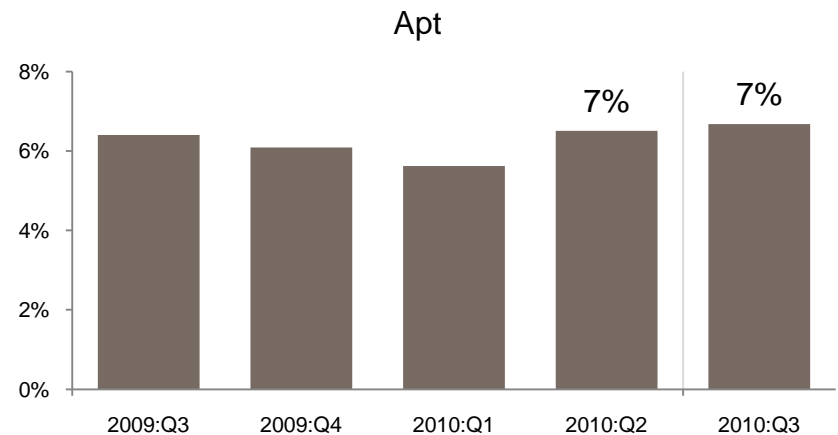
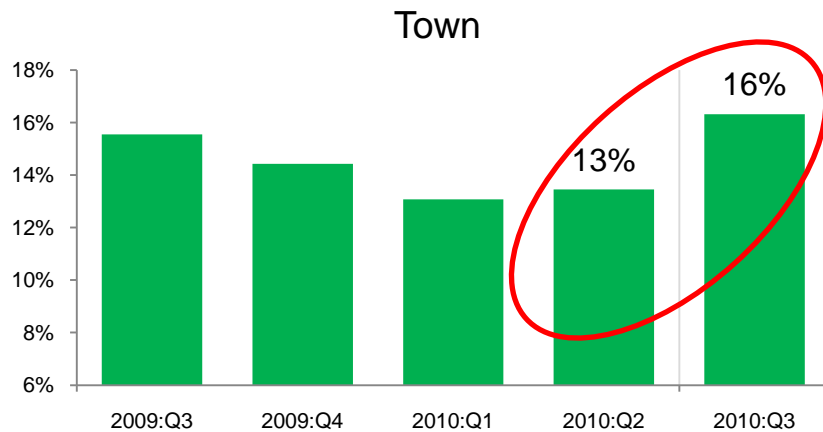
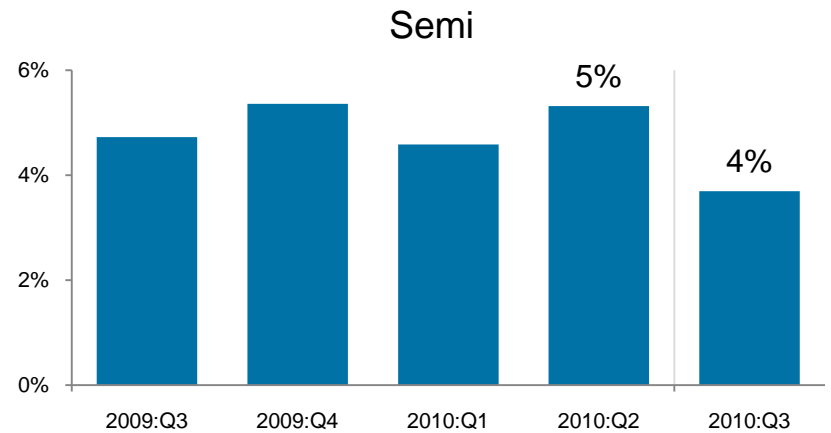
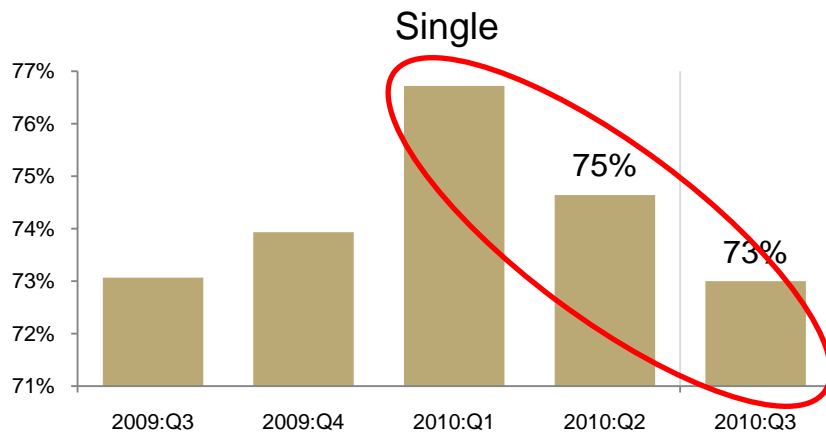


MLS® Price

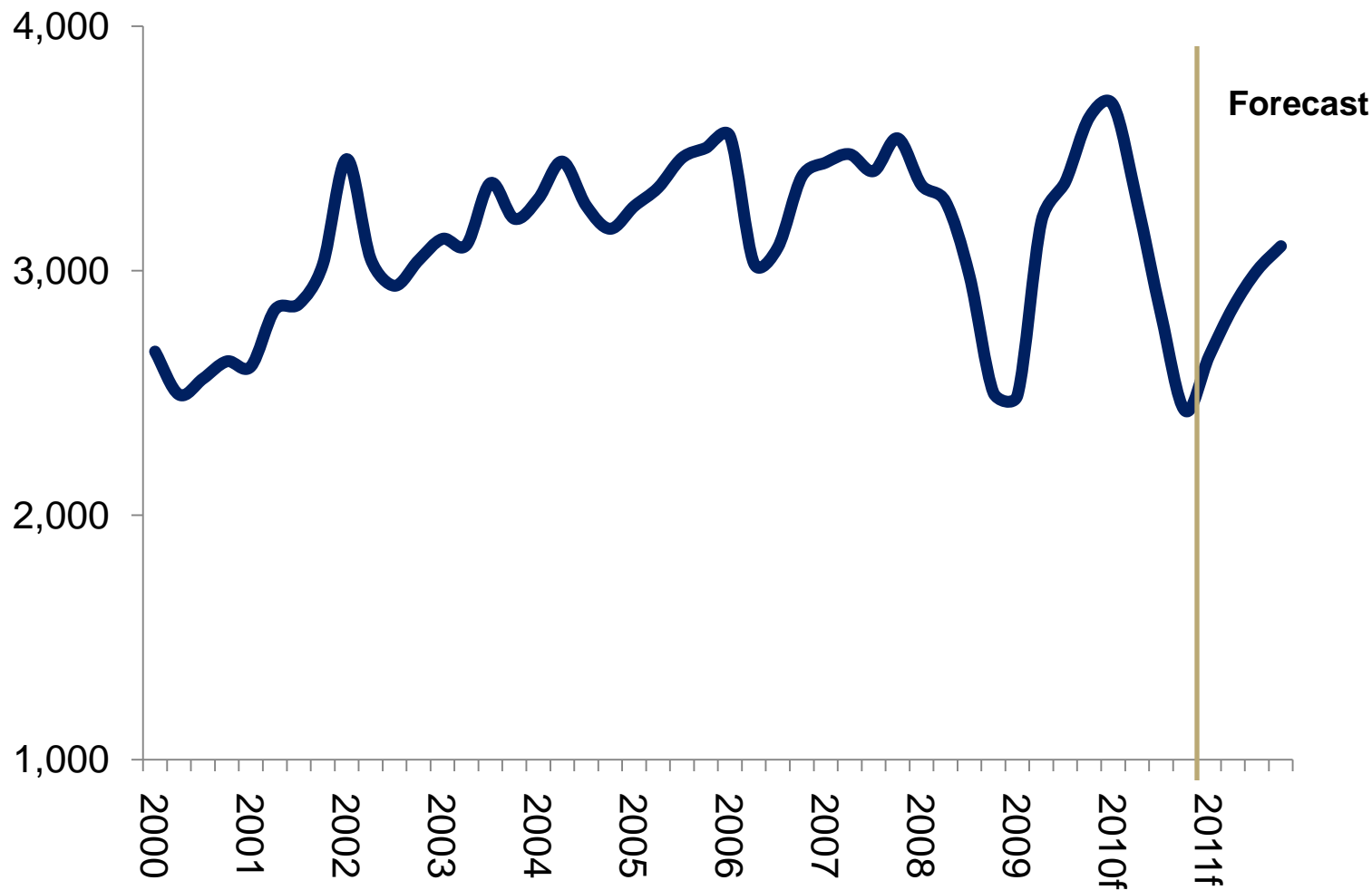


Source: CREA

Proportion of Total Homes Sold by Type

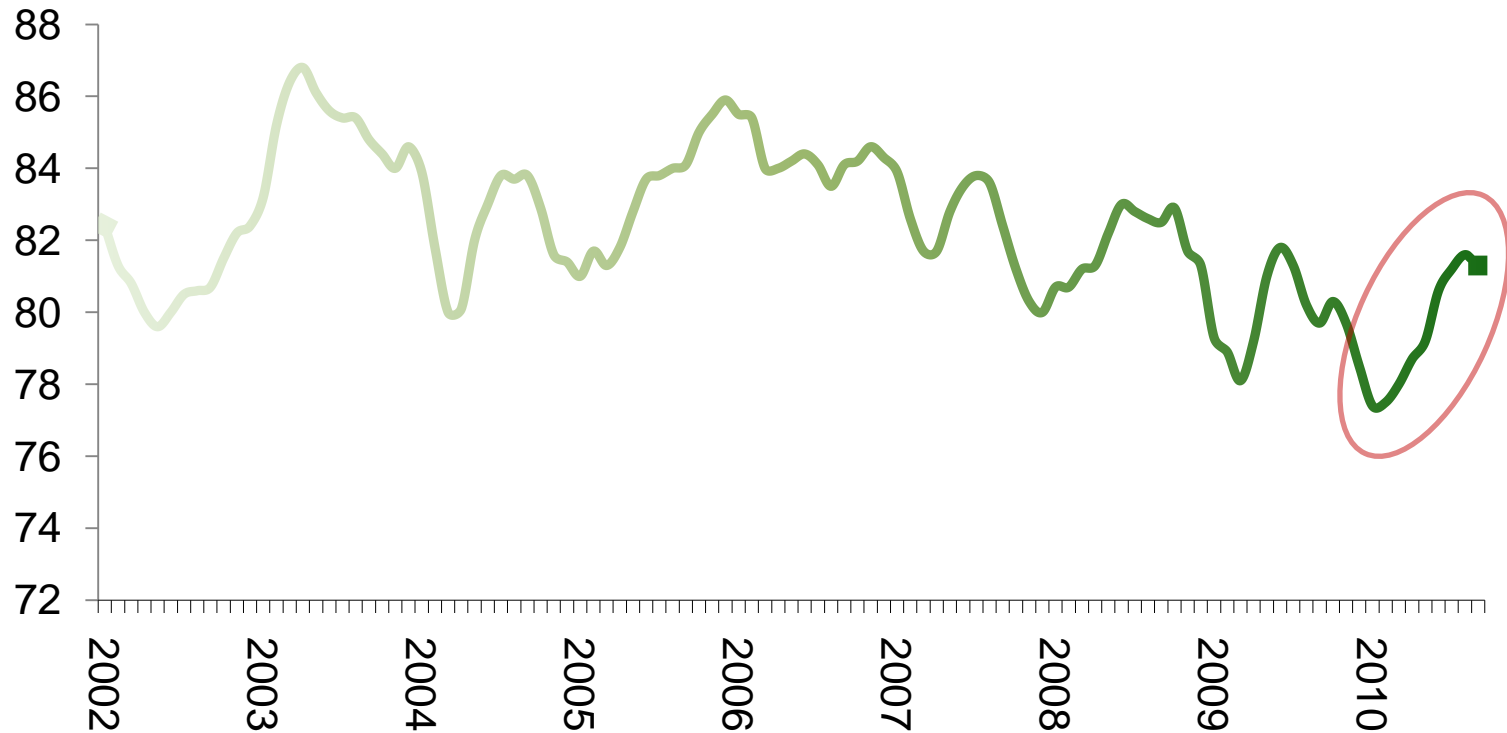


MLS[®] Sales Forecast (Quarterly)



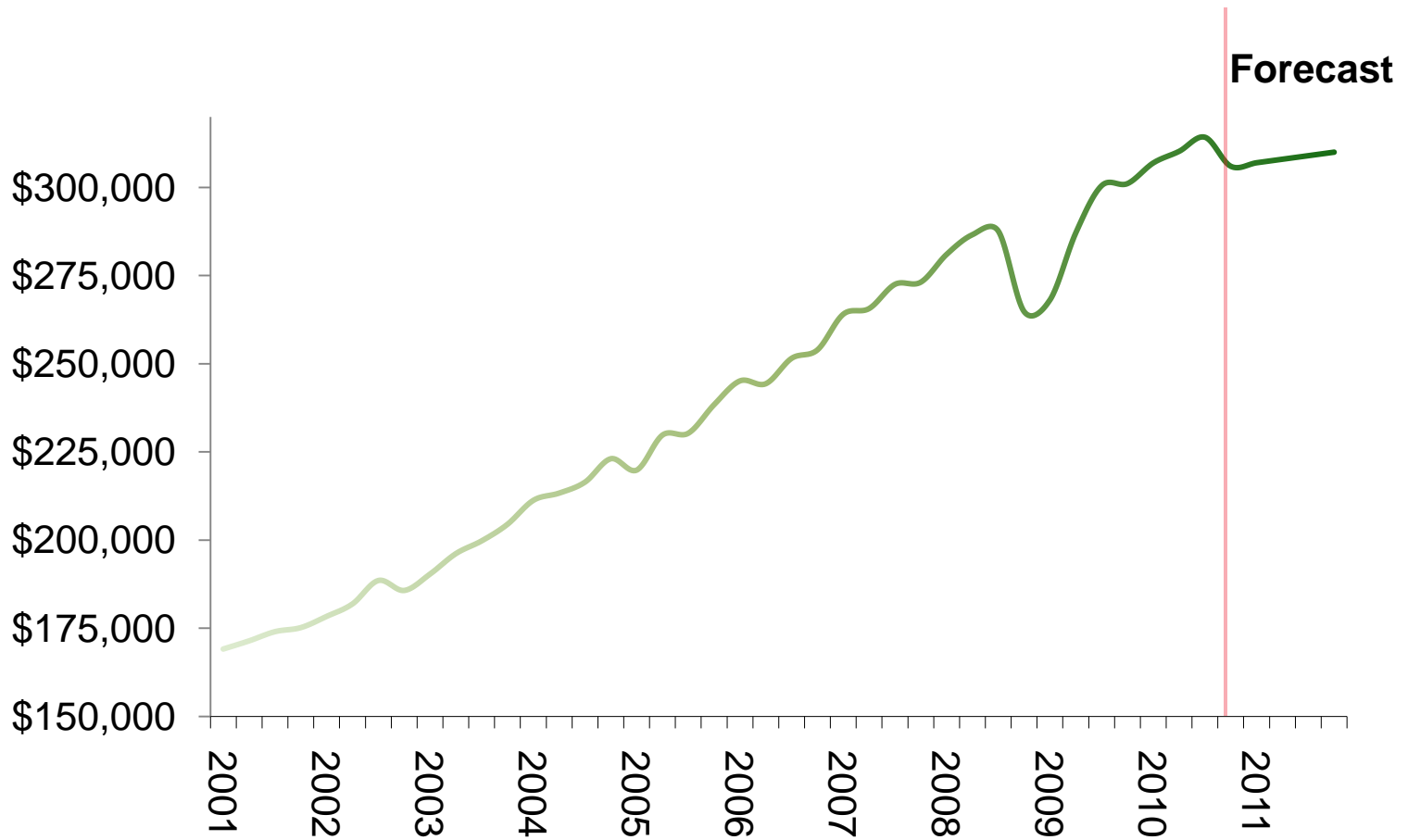
Source: CREA and CMHC Forecast

Employment Rate in Hamilton (%) Aged 25-44



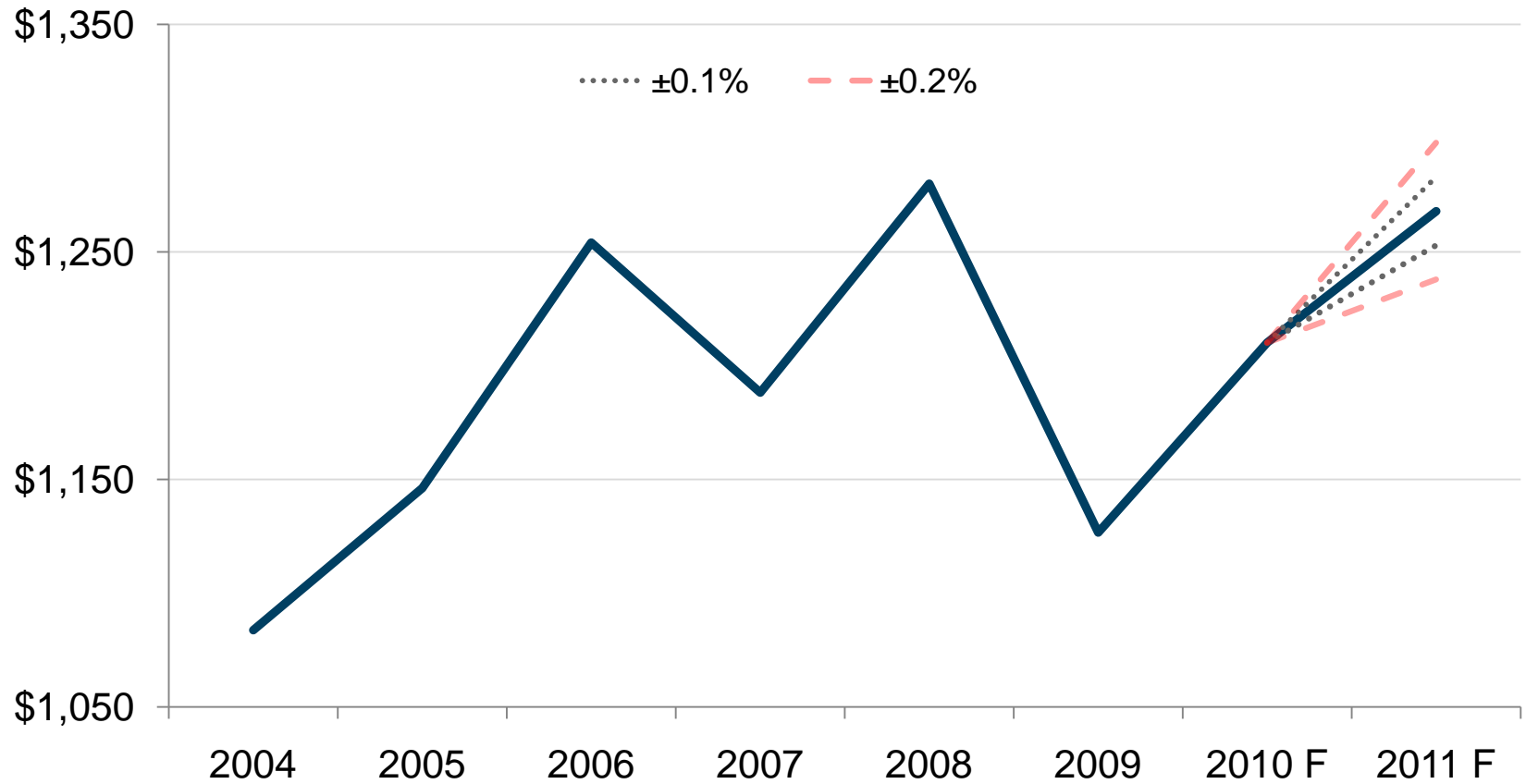
Source: Statistics Canada

MLS[®] Price Forecast



Source: CREA and CMHC

Monthly Mortgage Payments



Source: CREA, Bank of Canada, and CMHC Forecast

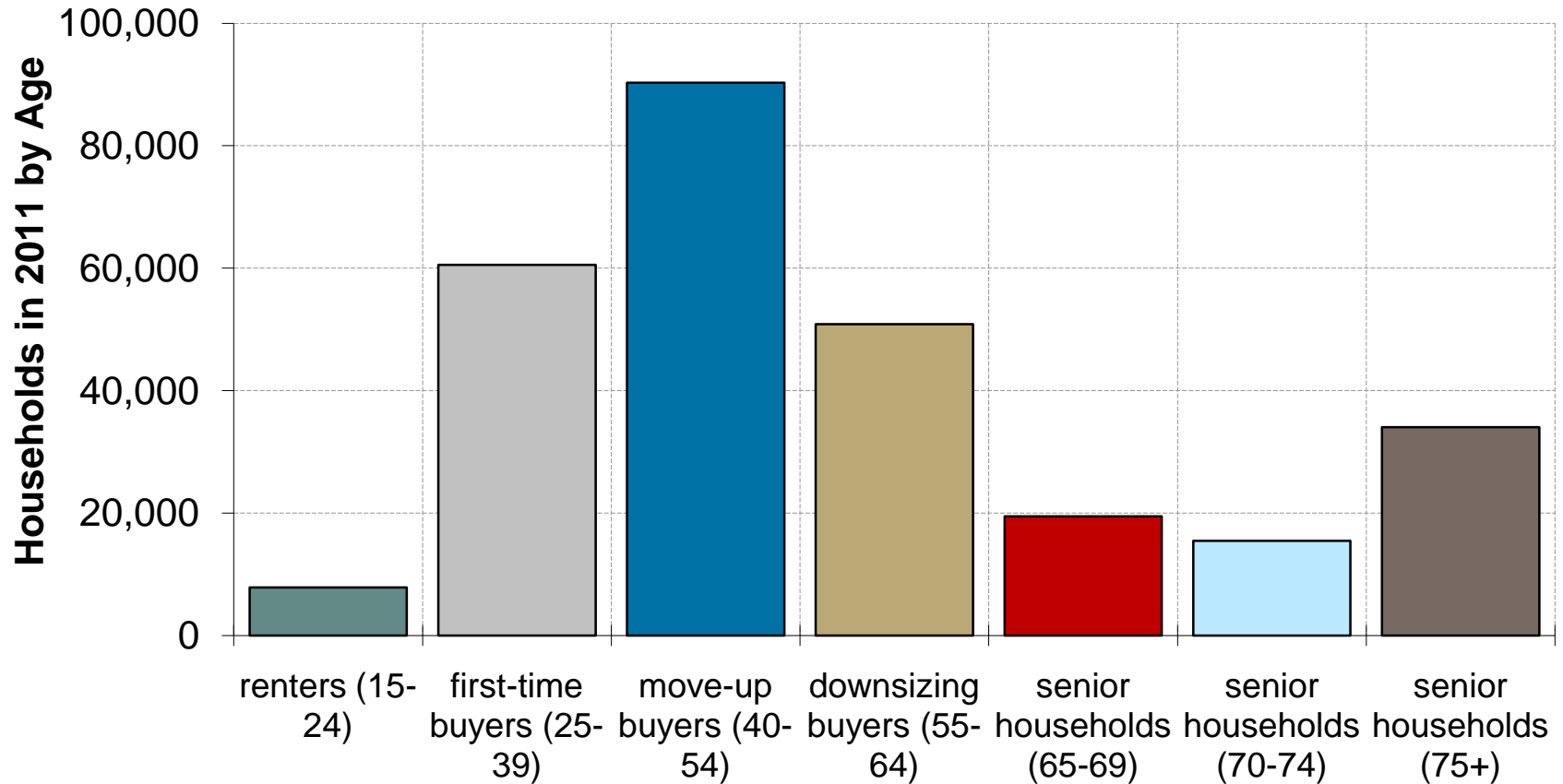
CMHC Mortgage Consumer Survey 2010



- **84% of first time home buyers research terms and conditions of a mortgage**
- **71% of them compare the costs of different interest rate scenarios**
- **65% check for competitive interest rates**

Source: 2010 CMHC Mortgage Consumer Survey

Number of Households by Age in 2011



Source: CMHC calculations

Seniors: Motivations For Moving



Over 60,000 adults will be 70+ in Hamilton by 2012. Most will want to stay at home, but many will be need to move due to:

- No longer able to live independently
- Financial reasons

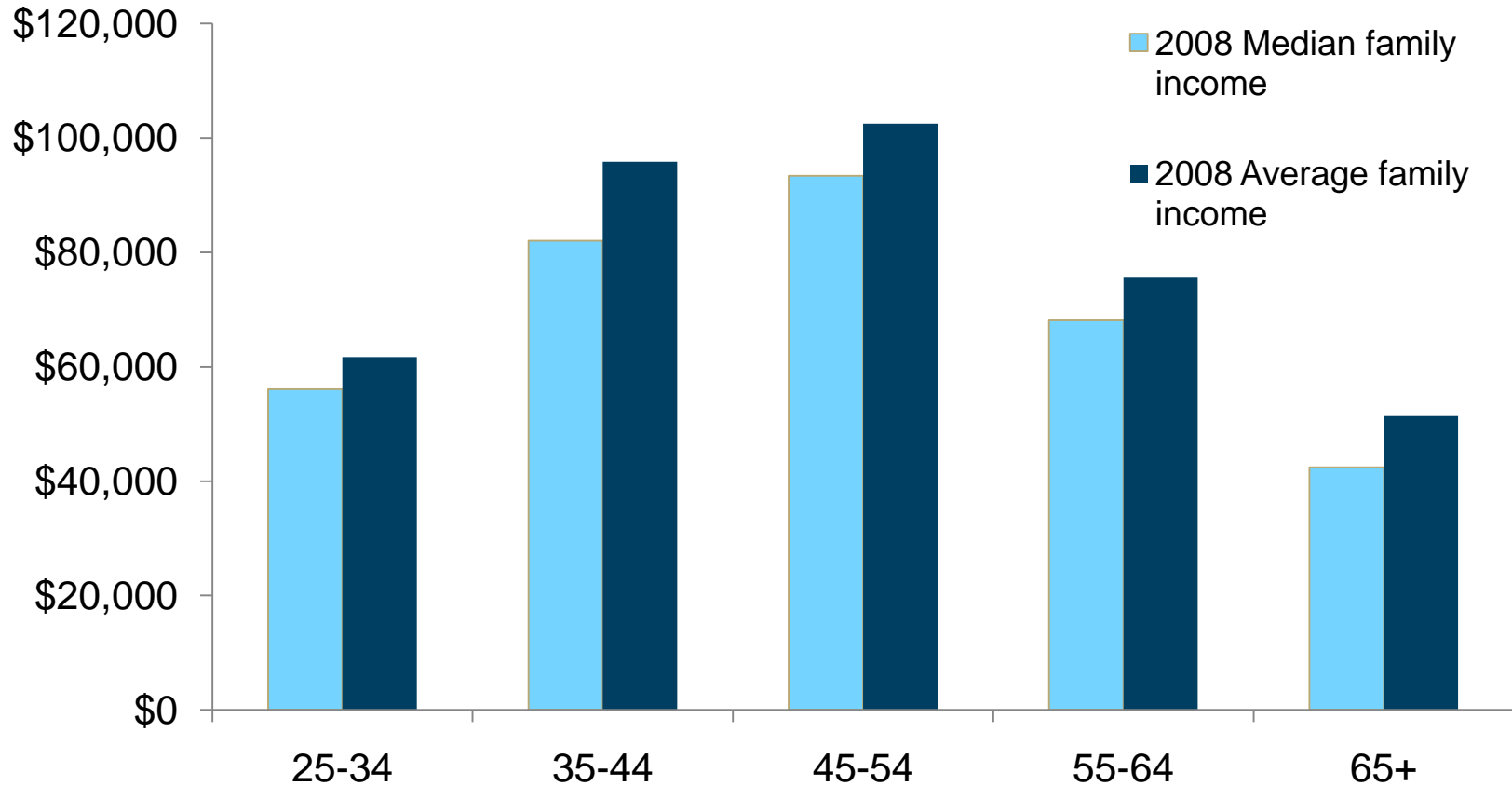
Downsizing Options



Seniors Housing:

- Retirement Homes
- Condominium
- Smaller freehold
- Rental
- Life lease/land lease
- Live with relatives

Family Income By Age



Source: Statistics Canada

What Does it Cost?

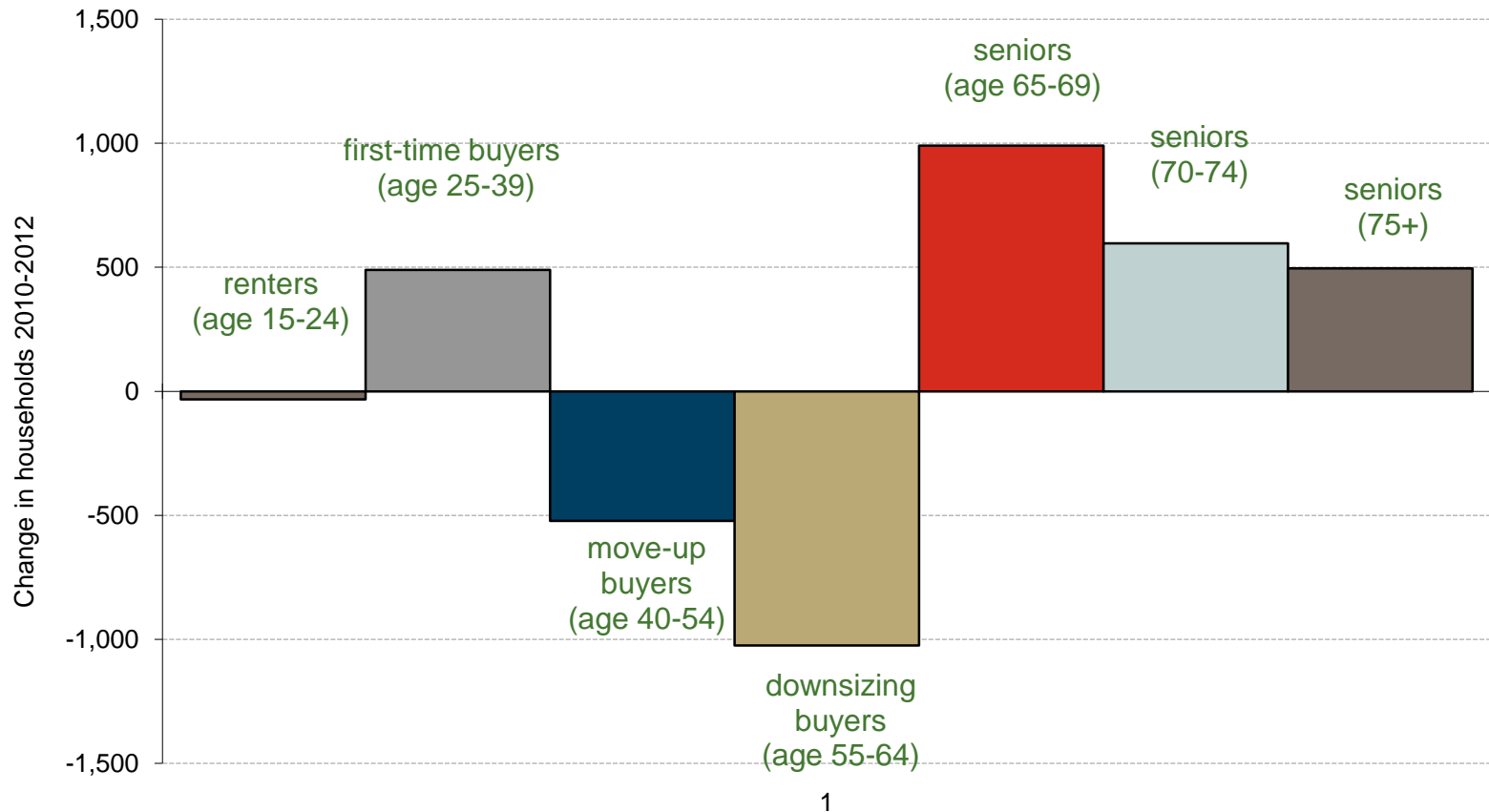
	Monthly Costs	Price \$
Retirement Home	\$1,511 – 3,459	n/a
Long-term care	\$1,614 – 2,162	n/a
Condo townhouse*	\$1,175 - \$1,850	\$1460,000 – 265,000
Smaller freehold single**	\$1,511	\$269,272
Condo apartment*	\$819	\$164,151
Rental (Apt or TH)	\$877	n/a

Source: CREA, CMHC 2010 Seniors' Housing Report, April 2010 CMHC Rental Market Survey

* Includes condo fee and tax

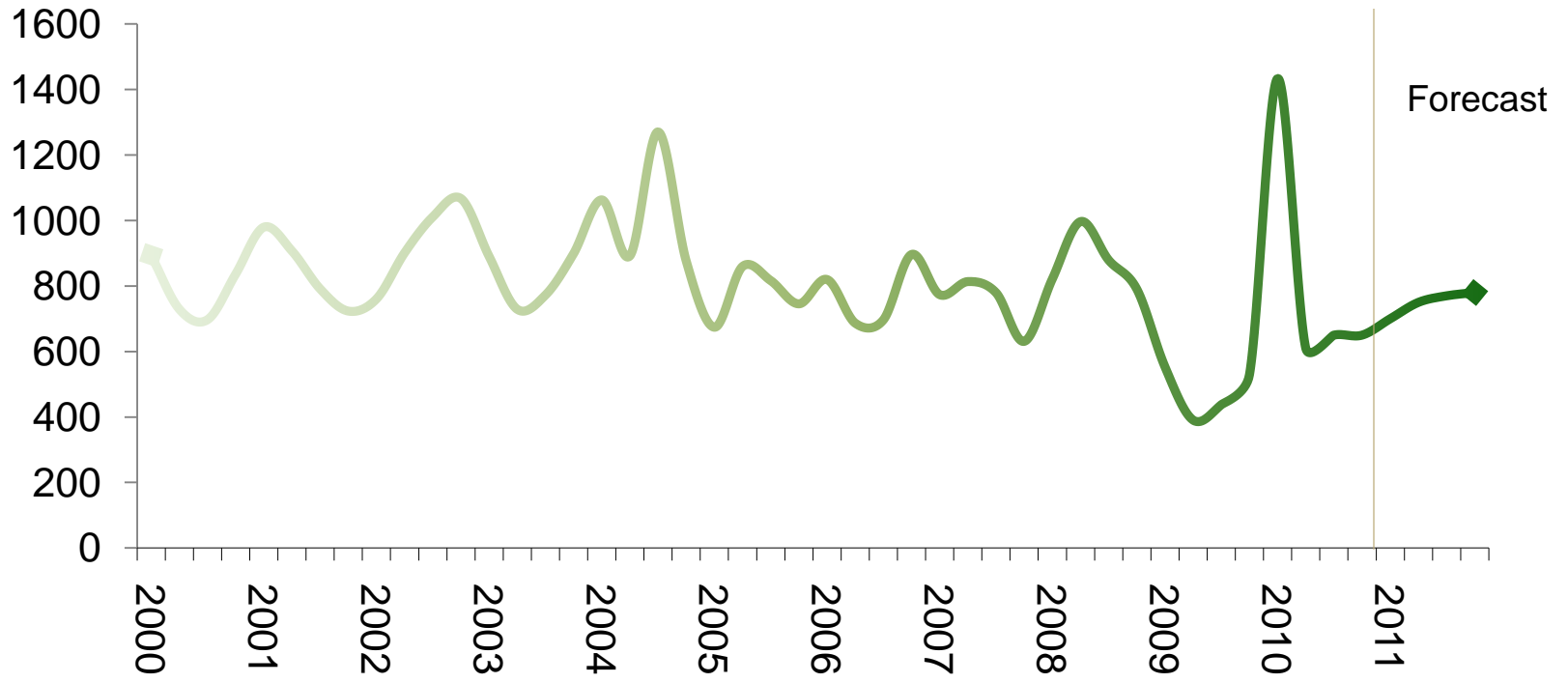
** Includes tax

Change in Household Groups Between 2010 & 2012



Source: CMHC calculations

New Home Starts Forecast



Source: CREA and CMHC

Summary



1. Resale markets and housing starts are trending higher into 2011
2. Positive signs of employment growth and migration trends for Hamilton
3. Modest changes to mortgage rates and home prices indicate impact to affordability will be limited
4. Seniors market will be target market over the medium to long term as they will need assistance selling homes and finding new accommodations
5. Resale home prices catching up to new means increased competition.

Hamilton: Regional Centre

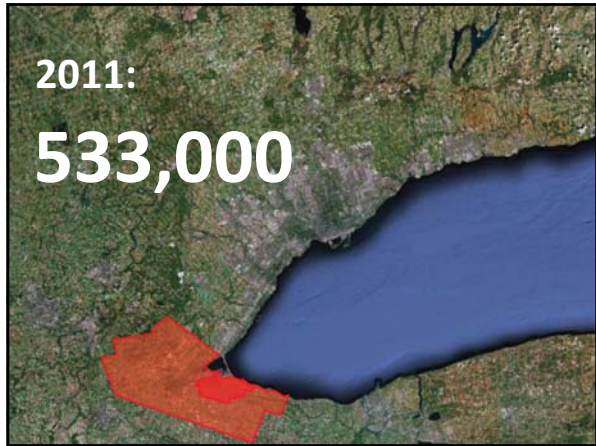
Joe Berridge



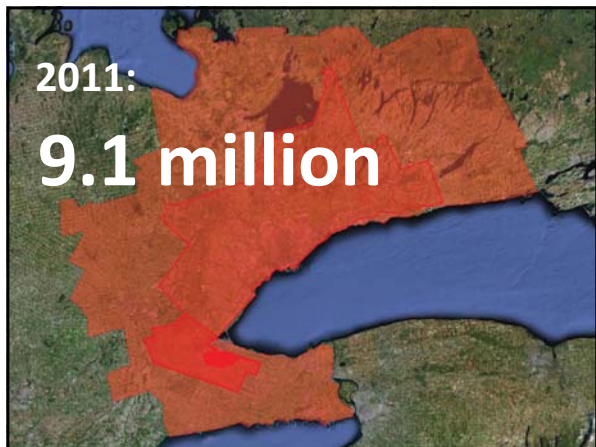
CMHC
Hamilton Housing Outlook Seminar 2010

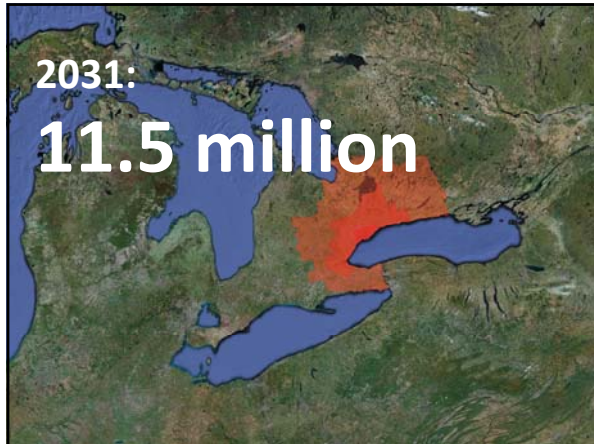












NORTH AMERICAN METROPOLITAN AREAS

Metropolitan Area	Population 2001 (millions)	Population 2022 (millions)	Projected Rank in 2022
New York-Northern New Jersey-Long Island	20.2	21.6	1
Los Angeles-Riverside-Orange County	16.3	19.5	2
Golden Horseshoe + Western New York	9.6	11.9	3
Chicago-Gary-Kenosha	9.0	10.3	4*
Washington-Baltimore	7.5	8.0	5
San Francisco-Oakland-San Jose	7.0	8.4	6
Golden Horseshoe - Ontario	6.8	10.3	4*
Philadelphia-Wilmington-Atlantic City	6.0	6.3	10*
Boston-Worcester-Lawrence	5.9	6.5	9*
Detroit-Windsor	5.8	6.5	9*
Seattle-Vancouver	5.6	7.7	7
Dallas-Fort Worth	5.1	7.1	8
Houston-Galveston-Brazoria	4.6	6.3	10*
Atlanta	4.0	6.0	11
San Diego - Tijuana	3.8	4.6	13
Miami-Fort Lauderdale	3.8	5.0	12
Montréal	3.5	4.0	14

Sources: The Centre for Spatial Economics, Statistics Canada, US Census, INEGI, Mexico

Hamilton's Slower Growth Rate

Municipality	Census Division	Pop 2011	Pop 2031	Change	Rate of Growth (%)
Barrie	Simcoe	469.6	678.3	208.7	44
Kitchener-Waterloo	Waterloo Region	534.0	716.2	182.2	34
London	Middlesex	459.0	568.2	109.2	24
Kingston	Frontenac	152.2	182.4	30.2	20
Hamilton	Hamilton	533.1	609.8	76.7	14
Windsor	Essex	408.6	459.9	51.3	13
Thunder Bay	Thunder Bay	148.0	140.3	-7.7	-5
Sudbury	Sudbury	21.1	19.7	-1.4	-7

Source: Ontario Ministry of Finance: 2010 Ontario Population projections

Economy in Transition: Labour by Industry

Industry	1989	2009	↑ or ↓
Manufacturing	30%	14%	↓ -53%
Professional, scientific and technical services	3%	6%	↑ 100%
Health care and social assistance	9%	13%	↑ 44%
Finance, insurance, real estate and leasing	6%	7%	↑ 17%
Educational services	6%	7%	↑ 17%
Construction	6%	6%	↔ 0%

Source: Statistics Canada Labour Force Survey



**McMaster
University**



**Mohawk
College**



Waterfront



Downtown



Neighbourhoods



Suburban edge



Recession

9.1% unemployment

67% avg. ↓ in housing starts during spring 2009



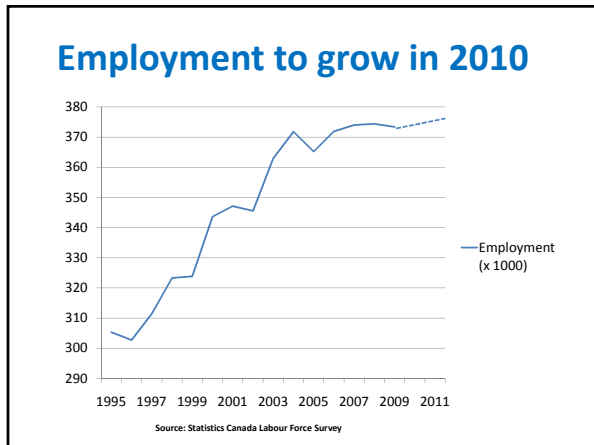
TORONTO STAR

900 steel workers in Hamilton locked out

Union rejected firm's final offer over pensions

STEVE ARNOLD
TORONTO
TORONTO—U.S. Steel Canada employees have been locked out by the company at its Hamilton plant, ending 20 years of labour peace at the former site.
Just after 7 p.m. Monday, the company locked the gates of the Blue Angel in fact, withdrawing the jobs of 900 workers.
In a letter to employees Saturday, the company made a final pitch for the "final and final offer" to end the strike on Thursday.
"This letter serves to advise you that the company and Local 600 have been unable to reach a settlement on a revised collective agreement, and as a consequence, the company will be locking out employees effective 7 p.m. Sunday," it reads.
"We believe the offer is a fair and



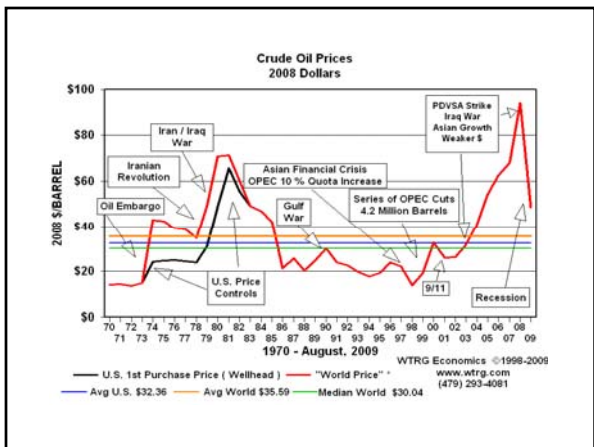


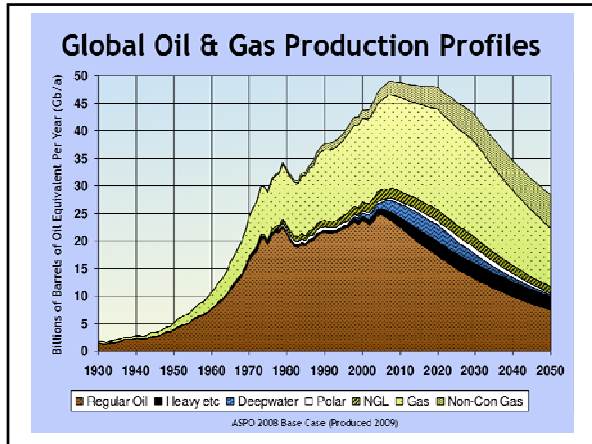


Average home price

Census Metropolitan Area	2010 (f) Average Price
Kitchener	287,000
Guelph	292,000
Hamilton	312,000
Ottawa	326,500
Edmonton	333,000
Calgary	403,000
Toronto	427,000
Victoria	510,000
Greater Vancouver	655,000
National Average	338,900

Source: CMHC Third Quarter 2010 forecast average MLS* for 2010





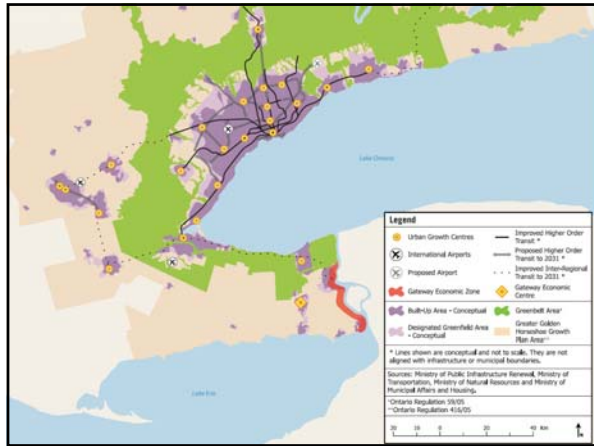






























Canada Mortgage And Housing Corporation
Housing Outlook Seminar

HAMILTON
November 10, 2010